C.banner International Holdings Limited
千百度國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1028)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company" or "C.banner") is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2022 (the "reporting period") together with comparative figures for the corresponding period in 2021, are as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**715,141**	819,622
Gross profit	**405,673**	492,278
Profit before income tax	**25,805**	58,956
Income tax expenses	**(1,821)**	(22,452)
Profit for the period	**23,984**	36,504
Profit/(loss) for the period attributable to:		
Owners of the Company	**24,162**	35,789
Non-controlling interests	**(178)**	715
	23,984	36,504
Earnings per share		
– Basic *(RMB cents)*	**1.16**	1.72
– Diluted *(RMB cents)*	**1.16**	1.72

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*5*	**715,141**	819,622
Cost of sales		**(309,468)**	(327,344)
Gross profit		**405,673**	492,278
Other income and expenses and other gains and losses	*6*	**27,499**	32,684
Distribution and selling expenses		**(355,147)**	(408,988)
Administrative and general expenses		**(50,850)**	(56,183)
Share of profit of joint ventures		**22**	572
Finance costs	*7*	**(1,392)**	(1,407)
Profit before income tax		**25,805**	58,956
Income tax expenses	*8*	**(1,821)**	(22,452)
Profit for the period		**23,984**	36,504
Other comprehensive expenses:			
Item that may be reclassified to profit or loss:			
Exchange differences reclassified to profit or loss on disposal of an associate		**–**	(177)
		–	(177)
Total comprehensive income for the period		**23,984**	36,327

	Note	Six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
		(unaudited)	(unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		**24,162**	35,789
Non-controlling interests		**(178)**	715
		23,984	36,504
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		**24,162**	35,612
Non-controlling interests		**(178)**	715
		23,984	36,327
Earnings per share	*10*		
– Basic *(RMB cents)*		**1.16**	1.72
– Diluted *(RMB cents)*		**1.16**	1.72

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	**30 June 2022 *RMB'000* (unaudited)**	31 December 2021 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment		**145,836**	147,615
Right-of-use assets		**92,629**	95,555
Other intangible assets		**17,224**	19,906
Goodwill		**5,725**	5,725
Interest in an associate		**417**	417
Interest in joint ventures		**6,639**	6,617
Deferred tax assets		**59,445**	62,740
Long-term deposits, other receivables and prepayments		**22,583**	26,503
		350,498	365,078
Current assets			
Inventories		**437,974**	486,812
Trade receivables	*11*	**228,920**	170,731
Other receivables and prepayments		**270,409**	272,983
Current tax assets		**3,937**	6,931
Bank balances and cash		**455,426**	443,117
		1,396,666	1,380,574
Current liabilities			
Trade payables	*12*	**122,288**	138,514
Other payables		**147,611**	153,155
Contract liabilities		**36,717**	37,154
Lease liabilities		**21,225**	19,463
Current tax liabilities		**6,938**	7,297
		334,779	355,583
Net current assets		**1,061,887**	1,024,991
Total assets less current liabilities		**1,412,385**	1,390,069

	30 June 2022 *RMB'000* (unaudited)	31 December 2021 *RMB'000* (audited)
Non-current liabilities		
Lease liabilities	**33,807**	35,475
Net assets	**1,378,578**	1,354,594
Capital and reserves		
Share capital	**209,097**	209,097
Reserves	**1,160,523**	1,136,361
Total equity attributable to owners of the Company	**1,369,620**	1,345,458
Non-controlling interests	**8,958**	9,136
Total equity	**1,378,578**	1,354,594

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2022

	Equity attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium	Shares held under the share award scheme	PRC statutory reserve	Share-based compensation reserve	Accumulated profits	Translation reserve	Sub-total		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021 (audited)	209,097	646,042	(5,830)	175,389	–	293,086	177	1,317,961	9,317	1,327,278
Profit for the period (unaudited)	–	–	–	–	–	35,789	–	35,789	715	36,504
Other comprehensive expenses for the period (unaudited)										
– Exchange differences reclassified to profit or loss on disposal of an associate (unaudited)	–	–	–	–	–	–	(177)	(177)	–	(177)
Total comprehensive income/ (expenses) for the period (unaudited)	–	–	–	–	–	35,789	(177)	35,612	715	36,327
Equity-settled share award scheme (unaudited)	–	–	–	–	328	–	–	328	–	328
Transfer of awarded shares upon vesting (unaudited)	–	–	5,830	–	(328)	(5,502)	–	–	–	-
Transfer (unaudited)	–	–	–	510	–	(510)	–	–	–	-
At 30 June 2021 (unaudited)	209,097	646,042	–	175,899	–	322,863	–	1,353,901	10,032	1,363,933
Balance at 1 January 2022 (audited)	**209,097**	**646,042**	**-**	**176,127**	**-**	**314,192**	**-**	**1,345,458**	**9,136**	**1,354,594**
Total comprehensive income/(expenses) for the period (unaudited)	**-**	**-**	**-**	**-**	**-**	**24,162**	**-**	**24,162**	**(178)**	**23,984**
Transfer (unaudited)	**-**	**-**	**-**	**333**	**-**	**(333)**	**-**	**-**	**-**	**-**
At 30 June 2022 (unaudited)	**209,097**	**646,042**	**-**	**176,460**	**-**	**338,021**	**-**	**1,369,620**	**8,958**	**1,378,578**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. GENERAL INFORMATION

C.banner International Holdings Limited (the "Company") was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 26 April 2002. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda. The address of its principal place of business is Suite 1503, Level 15, Admiralty Centre Tower 1, 18 Harcourt Road, Admiralty, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries, associate and the joint ventures are principally engaged in manufacture and sale of branded fashion footwear and retail of toys. The Company and its subsidiaries are collectively referred to as the "Group".

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 issued by the International Accounting Standards Board ("IASB") and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2021 annual financial statements of the Group. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2021 of the Group.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2022. IFRSs comprise IFRS; IAS and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior period.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale of shoes		
– external sales	**596,874**	744,870
– inter-segment sales	**–**	9
Contract manufacturing of shoes		
– external sales	**101,731**	49,977
– inter-segment sales	**–**	8,542
Retail of toys		
– external sales	**16,536**	24,775
Segment revenue	**715,141**	828,173
Eliminations	**–**	(8,551)
Group revenue	**715,141**	819,622
Segment results		
Retail and wholesale of shoes	**11,894**	63,002
Contract manufacturing of shoes	**7,773**	(5,079)
Retail of toys	**2,788**	756
	22,455	58,679
Gain from disposal of an associate	**–**	2,358
Finance costs	**(1,392)**	(1,407)
Net foreign exchange gain/ (loss)	**4,720**	(1,246)
Share of profit of joint ventures	**22**	572
Profit before income tax	**25,805**	58,956
Income tax expense	**(1,821)**	(22,452)
Profit for the period	**23,984**	36,504

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Segment assets		
Retail and wholesale of shoes	**1,817,306**	1,820,863
Contract manufacturing of shoes	**127,950**	116,161
Retail of toys	**23,518**	19,810
Total segment assets	**1,968,774**	1,956,834
Eliminations	**(292,048)**	(287,887)
Unallocated	**70,438**	76,705
Total consolidated assets	**1,747,164**	1,745,652
Segment liabilities		
Retail and wholesale of shoes	**296,745**	318,035
Contract manufacturing of shoes	**254,643**	250,770
Retail of toys	**101,579**	101,702
Total segment liabilities	**652,967**	670,507
Eliminations	**(291,319)**	(286,746)
Unallocated	**6,938**	7,297
Total consolidated liabilities	**368,586**	391,058

5. REVENUE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Retail and wholesale of shoes	**596,874**	744,870
Contract manufacturing of shoes	**101,731**	49,977
Retail of toys	**16,536**	24,775
Total revenue	**715,141**	819,622

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Geographical markets		
The People's Republic of China (the "PRC")	**613,497**	771,671
The United States of America	**101,644**	47,951
Total	**715,141**	819,622
Major products/service		
Retail and wholesale of branded fashion footwear	**596,874**	744,870
Contract manufacturing of footwear	**101,731**	49,977
Retail of toys	**16,536**	24,775
Total	**715,141**	819,622
Timing of revenue recognition		
At a point in time	**715,141**	819,622

6. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income		
Government grants	**8,362**	17,977
Interest income on bank deposits	**3,716**	2,238
Interest income of long-term trade debts	**3,207**	3,652
Interest income on other financial assets	**25**	13
Gain on disposal of property, plant and equipment	**21**	50
Service fee income	**457**	2,924
Others	**7,484**	5,318
	23,272	32,172
Other gains and losses		
Net foreign exchange gain/(loss)	**4,720**	(1,246)
Impairment provision in respect of trade receivables	**(676)**	(600)
Loss on modification of right-of-use assets and lease liabilities	**(28)**	–
Gain on disposal of financial assets	**211**	–
Gain on disposal of an associate	**–**	2,358
	4,227	512
Total other income and expenses and other gains and losses	**27,499**	32,684

7. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Leases interests	**1,392**	1,407

8. INCOME TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	**24**	24,574
Over-provision in prior periods	**(1,498)**	(1,645)
	(1,474)	22,929
Deferred tax	**3,295**	(477)
Income tax expenses	**1,821**	22,452

The Group is not subject to taxation in Bermuda and the British Virgin Islands ("BVI").

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit in Hong Kong during the period (six months ended 30 June 2021: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% on the estimated assessable profit during the six months ended 30 June 2022 (six months ended 30 June 2021: 25%).

Under the relevant tax law and implementation regulations in the PRC, withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities in Hong Kong shall be subject to the withholding tax at 5%. Dividend distributed from a PRC subsidiary to a non-PRC tax resident group entity in the BVI shall be subject to the withholding tax at 10%.

9. DIVIDENDS

The directors of the Company did not recommend the payment of any dividend for the six months ended 30 June 2022 and 2021.

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the period attributable to owners of the Company of approximately RMB24,162,000 (six months ended 30 June 2021: approximately RMB35,789,000) and the weighted average number of ordinary shares of 2,077,000,000 (six months ended 30 June 2021: 2,075,514,000) in issue during the period.

Diluted earnings per share

There was no dilutive potential ordinary share outstanding for both periods. Accordingly, the diluted earnings per share is same as basic earnings per share for both periods.

11. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. The credit terms generally range from 30 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors of the Company. The Group would also allow longer credit period for certain customers with long-term relationship.

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**230,145**	171,280
Provision for loss allowance	**(1,225)**	(549)
	228,920	170,731

The aging analysis of trade receivables, based on the revenue recognition date, and net of allowance, is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**189,560**	147,648
61 to 180 days	**35,150**	16,252
181 days to 1 year	**3,401**	6,096
Over 1 year	**809**	735
	228,920	170,731

12. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date, is as follows:

	30 June 2022	31 December 2021
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**109,824**	130,791
91 to 180 days	**3,755**	949
181 days to 1 year	**1,859**	1,980
Over 1 year	**6,850**	4,794
	122,288	138,514

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The global economy continues to face ongoing pressures from COVID-19 and Russia's invasion of Ukraine. Additionally, higher-than-expected inflation, especially in the United States and major European economies, is triggering a tightening of global financial conditions. Adding pressures to the global economy is China's economic slowdown which is magnified by COVID-19 outbreaks and subsequent lockdowns combined with adverse effects from the Russo-Ukrainian war. The overall result was a contraction of global output in the second quarter of this year. In June, the World Bank slashed its global growth forecast and warned that elevated inflation could cause stagflation reminiscent of the 1970s. According to the World Bank, global growth is expected to slip to 2.9% in 2022 from 5.7% in 2021, 1.2% lower than previously predicted.

Due to the persistent COVID-19 outbreaks, consumer spending remains uncertain. A full recovery in consumption and the overall economy may take time as many challenges remain ahead. The International Monetary Fund (IMF) cut its global growth outlook for this year and next year, warning that the world economy may soon be on the cusp of an outright recession.

In China, recovery in domestic consumption is still weighed down by numerous uncertainties. Currently, China is facing a dual challenge of containing the pandemic while supporting economic growth. After a strong start in early 2022, multiple outbreaks of Omicron and the resulting restrictions disrupted China's growth, according to the latest China Economic Update released in June by the World Bank. Economic growth in China is projected to slow down to 4.3% in 2022 before rebounding to 5.2% in 2023, largely reflecting the economic damage caused by the persistence of COVID-19.

In early 2021, China kicked off its nationwide mass vaccination program. As of 22 July 2022, a total of 3.4 billion COVID-19 vaccine shots had been administered in the Chinese mainland, according to the National Health Commission of the PRC. China has achieved 89.7% vaccination rate and given about 56% of its 1.41 billion population a booster dose.

According to the statistics announced by the National Bureau of Statistics of the PRC, China's Gross Domestic Product was RMB56.26 trillion in the first half of 2022, representing a 2.5% increase compared to the same period of last year. In the first half of 2022, total retail sales of social consumer goods were RMB21,043.2 billion for a year-on-year decrease of 0.7%. In June 2022, China's total retail sales of social consumer goods strengthened to RMB3,874.2 billion for a year-on-year increase of 3.1%. However, COVID-19 flared up again and tighter restrictions due to the zero-COVID-19 policy were implemented. China's economy continues to face many challenges as COVID-19 and geopolitical conflicts threatens the global recovery.

In the first half of 2022, the pandemic re-emerged in China with a widescale outbreak hitting Shanghai in March. The impact of outbreak in the first half of this year was even more serious than in 2020, especially in Northeast China. The March outbreak in Shanghai had a particularly huge impact on the Yangtze River Delta region. Local authorities responded with mass testing and other measures such as tightening social distancing rules to prevent a larger outbreak.

To mitigate the economic challenges and difficult business environment in the first half of 2022, the Group took specific measures to maximize its business development, maintain sustainable growth and reduce market risks.

Operational Performance

During the first half of this year, the Group felt the impact of the pandemic on its operations more than that in 2020, especially in Northeast China. In March, the outbreak in Shanghai had a particularly significant impact on the Yangtze River Delta region, where the Company has the majority of its operations. As at end of June 2022, the Company's total number of retail outlets was 1,140, showing a reduction of 32 outlets since the beginning of the year. The number of proprietary shoes retail outlets was 954 with a reduction of 21 outlets since the beginning of the year, and the number of third-party retail outlets was 186 with a reduction of 11 outlets. As a result of the organizational structure adjustments made the over the previous two years, the Company was able to maintain profitability.

With continuing efforts to streamline and restructure operations, additional less cost-effective retail outlets were closed in the reporting period. In the first half of 2022, the impact of COVID-19 restrictions has brought unprecendented pressure on our operations. However, the Company implemented different strategies in order to offset the impact of the difficulties. The Company ran promotions for older-style-shoes in order to increase the sales revenue and reduce inventory. Additionally, in the context of closure of retail locations and stay-at-home of residents to avoid the virus after the outbreak of COVID-19, online stores provided a practical shopping alternative. In the first quarter, the national online retail sales reached RMB3,012 billion representing a year-on-year increase of 6.6%. The Company expects that the e-commerce market still has plenty of room to grow over the long term.

The following table shows the Group's geographic distribution of shoes outlets:

Distribution Regions	C.banner Proprietary retail outlets	C.banner Third-party retail outlets	EBLAN Proprietary retail outlets	EBLAN Third-party retail outlets	MIO Proprietary retail outlets	MIO Third-party retail outlets	natursun Proprietary retail outlets	Badgley Mischka Proprietary retail outlets	Total
Northeast China	81	16	30	–	13	12	–	–	152
Northern China	98	72	27	–	15	24	9	–	245
Eastern China	172	33	50	–	55	3	35	3	351
Shanghai	88	1	5	–	13	–	13	2	122
Southern China	89	9	5	–	13	–	2	–	118
Western China	101	11	17	2	15	3	3	–	152
Total	**629**	**142**	**134**	**2**	**124**	**42**	**62**	**5**	**1,140**

Notes:

(1) Northeast China includes Jilin province, Liaoning province, Heilongjiang province and Hulunbuir City in Inner Mongolia Autonomous Region;

(2) Northern China includes Beijing, Tianjin, Inner Mongolia Autonomous Region (except Hulunbuir), Hebei Province, Shanxi Province, Henan Province and Shandong Province;

(3) Eastern China includes Jiangsu Province, Anhui Province and Hubei Province;

(4) Shanghai area includes Shanghai City and Zhejiang Province;

(5) Southern China includes Hunan Province, Jiangxi Province, Fujian Province, Guangdong Province, Hainan Province and Guangxi Autonomous Region; and

(6) Western China includes Shaanxi Province, Qinghai Province, Gansu Province, Xinjiang Autonomous Region and Ningxia Autonomous Region, Sichuan Province, Guizhou Province, Yunnan Province, Chongqing City and Tibet Autonomous Region.

Continue to Increase Distributions Channels Efficiency

During the reporting period, we continued optimizing the Group's retail network. Readjusting the retail network and establishing an online presence continued to be a top priority during the reporting period. The Company will continue optimizing distributions channels in the second half of the year. Due to the current weak profitability of shopping malls, the Company will suspend the expansion of stores in shopping malls. The Outlets (factory direct-sale store) (奧特萊斯店) are significantly more efficient than department stores and shopping malls and are able to substantially contribute to the Company's profit. The Company will continue to expand the number of Outlets in the second half of the year.

Regarding the restructuring plan, the Company will further strategically close unprofitable outlets in the second half of the year, but will not close down too many retail outlets to ensure market share is not affected.

As sales at outlets malls in China surged last year, the Company strengthened its strategic cooperation with Bailian (百 聯) Group and Sasseur (砂 之 船). Additionally, as government pandemic control is relaxed in the second half of the year, the channel structure and quality should be improved. It is believed that the Company's performance will rebound once the restrictions are reduced.

Seize Huge E-commerce & Live-Stream Shopping Opportunities

Live streaming refers to online streaming media simultaneously recorded and broadcast in real time. Live Streaming Video Platform is a place where people can share their own videos with other consumers. In general, streaming platforms provide a "free-to-use" model for advertising and generates revenue –– digital advertising can include pre-roll clips on stream or throughout the platform website. Significant sales revenue can be generated from the platform directly.

We are seizing multimedia market opportunities. Though e-commerce and other forms of online interaction were already popular in China, COVID-19 accelerated its popularity as a result of the new "stay-at-home" economy. Livestreaming e-commerce is revolutionizing the retail industry by combining the ability to instantly purchase a featured product while participating in a live broadcast through a chat function or reaction button. While livestreaming e-commerce has been around for a long time in China, it remains a preferred way to keep up with market trends from consumers' perspective. Even though short videos provides an excellent opportunity for marketing to a massive consumer base, livestreaming e-commerce remains the most widely desired online shopping format. During the reporting period, the Company allocated more resources to livestreaming e-commerce as a new important emerging mode of sales promotion.

Key Opinion Leader ("**KOL**") marketing was one of the success-defining strategies of 2021 and 2022. In addition to our cooperation with first-tier live streamers, we're also seeking to expand cooperation with those at second tier. We cooperate with KOLs who are highly respected by their followers as it has become an important means to connect our brand directly to the potential target audience. A KOL helps the Group attract attention to our product and raises awareness of the brand which leads to a boost in sales. With 82% of consumers indicating that they follow recommendation of a KOL, it stands to reason a KOL has a tremendous impact on marketing. However, currently with the comparatively high return rate of live sales, it raises the risk inventory pressure to a certain extent. In this extent, we are looking for better optimization methods to solve this problem. Overall, we still find the livestream e-commerce offers consumers a thoroughly modern hybrid of in-person and online shopping as it has had a positive advertising effect, especially during the COVID-19 lockdowns.

Omnichannel Layout with Both Online and Offline Presence

On the e-commerce front, the Company continued to reinforce its online presence in the reporting period to further develop and complete its omnichannel layout. In addition to cooperation with e-commerce platforms such as Vipshop, Tmall, and JD.com, the Company is dedicating resources to the social media platform to proactively interact with its existing and potential customers.

Currently, we are cooperating with Tik Tok (Douyin) and Kuai Shou, and we broadcast livestream at our Tmall Shop regularly. Douyin and Kuaishou have the largest number of users among China's apps. Douyin is reported to have 600 million daily active users. According to Kuaishou's financial report, Kuaishou's daily active users reached 346 million and monthly active users (MAU) were 598 million in the first quarter of 2022, both of which reached record high. Douyin generated USD119 billion worth of product sales via live broadcasts in 2021 for a sevenfold increase year-over-year, while the number of users engaging with e-commerce live-streams exceeded 384 million, almost half of the platform's user base. A study found that 1 in 5 live-streaming users watch TikTok live. Of the users watching TikTok live, 62% of users watch it every day and 50% of users bought products after watching TikTok live. TikTok provides an ideal platform for live-stream commerce to generate profits and turn short-form videos into a money-making machine for a huge number of creators. By corporating with Douyin and Kuaishou, the Group expects to enhance the Company's long term sales performance.

As a result of the fast-developing digitalization of all aspects of modern life and the outbreak of COVID-19, an increasing number of businesses in China have moved online. The emergence of China's e-commerce market introduced a new era for the China's economy. China remains the home of the world's largest B2B e-commerce market. In 2021, China contributed to more than half of the world's e-commerce retail sales as the sales value surpassed the combined total of Europe and the United States. In order to seize e-commerce opportunities, the Group further pushed forward its strategy to build an exceptional online and offline shopping experience for consumers. We integrated our resources and operation across various business units, reallocated more resources and manpower to optimize its online platform and expanded its online channels to adapt to online shoppers' new habits and preferences arising from the COVID-19. The Group believes that sales from social media channels will continue to gain momentum in the second half of this year due to the constantly growing online social networking world.

Synergized Brand Strategy and Strengthened Brand Building

As a well-established footwear group in China, the Company has already developed a solid reputation as a manufacturer of quality products that are stylish and fashionable with an attractive price tag. Over the years, we created a reliable reputation, identity and strong corporate image through consistently providing good quality and fashionable styles. Our belief is to maintain our competitive edge by creating awareness while offering positive rewards to customers to build brand loyalty.

During the reporting period, the Group continued to focus on strengthening its multi-brand footwear business. It also adopted a multiple-brand strategy that can better target and easily adjust to varying consumer preferences and market trends. "C.banner", "EBLAN", "MIO", "BADGLEY MISCHKA" and "natursun" are all proprietary brands nurtured by the Company. By implementing the multi-brand strategy, the Group's brand portfolio is enriched to meet the needs of prime consumers in various areas such as sports and smart casual, street fashion, business formal style, etc. This also provides various ways for the Group to strengthen and increase its market share in China.

With early identification of the athleisure market as a rising trend, its diversified branding strategy and preceding reputation, it has been able to catch and ride the expansion wave, effectively broadening its customer base to the younger generation, and in turn, its market share.

Comfort has become almost synonymous with fashion and consumers are increasingly demanding function and versatility. Over the last several years, athleisure has continued to gain traction among fashion leaders, A-listers and style influencers. The typical shopper for leisure shoes tends to be aged between 18 and 45, a student or an office worker, an individualist. Moreover, this group tends to be more demanding than average of brand consumer. The continued focus on comfort and unique designs enables C.banner to nurture this loyal customer base. We concentrate on winning product design primarily based on public aesthetics in order to increase the product's marketability.

C.banner has built strong brand value and has high brand recognition among consumers with its premium quality business and business casual footwear. Focusing on the athleisure market as a future trend, the Company launched a diversified branding strategy to appeal to the younger generation which contributed to an increase in market share.

The multi-brand strategy will continue to be the foundation of the Group. With consumers' pursuit of a high-quality life and fashion trends, the Group is closely monitoring market trends while formulating its brand strategies so as to satisfy the target consumers' preferences. Additionally, to lay a foundation for sustainable development, the Group is also improving its vertically integrated industry chain by strengthening its e-commerce platform to enhance synergies both internally and externally.

Streamlined Research and Development ("R&D") Resources for Product Upgrade

Since 2017, the sportswear market in China has been growing tremendously. In fact, sportswear is the only footwear market that is growing. Since the COVID-19 hit, awareness of personal fitness and health also reached new heights as being physically active is well known as an effective way to improve immunity against diseases. As the concept of 'leisure' is becoming increasingly important in the lives of many Chinese consumers, the market for leisure shoes is also growing rapidly, with style and comfort seen as the two primary selling points. The consistent focus on comfort and unique designs has enabled C.banner to nurture a loyal customer base. In the second half of the year, we plan to establish a sports and leisure R&D department to further serve this group.

Keeping up with technological innovation and advancements is the important factor for the Company to maintain a sustainable business model. The ability to produce and apply revolutionary designs, materials and production processes is the key to distinguishing C.banner from other market players.

Having developed online sales channels, the Company was able to draw on big data analysing tools to better identify the factors and issues that its customers consider when making a purchase. With this information available, the Company was able to upgrade current products designs to better fit the consumers' expectations. Utilising such tools had proven to be effective in streamlining and integrating the Company's R&D resources to gain insight into consumers' behaviour.

Latest technologies have also been adopted in the Company's production process to improve production efficiency and quality of products.

Constant improvements to the quality of its products is of paramount importance to C.banner. From supply chain and production process to the procurement of raw materials, the Company seeks to utilise the latest and most cost-effective materials in its products. As long as there are new suppliers joining the supply chain and the market, the Company will continue to reform, reshape, and hone its production line, so as to keep up with the dynamic changes from technology, consumers and other factors in the market.

Continual Efforts to Strengthen Sales and Operational Performance

Except for the main warehouse of the Xuzhou factory (for large cargo turnover), all others logistics have been outsourced to third-party logistics companies. We established strategic cooperative relationships with leading third-party warehousing and logistics companies. With their complete warehousing and logistics system and scientific warehousing layout, we have achieved accurate and efficient distribution of nearby products, reducing the Group's warehousing, logistics and management costs.

For the offline channels, the Company has maintained its mutually beneficial relationship with department stores, shopping malls and outlets malls to sustain existing distribution channels. As part of the strategy to streamline operations and control costs, directly-operated stores are being optimised while unprofitable stores are being reviewed and closed as needed.

The ultimate goal of the Company's omnichannel layout with both online and offline presence is to generate larger gross profits in the era of new retail. Offline channels gain profits from completing sales, while online channels can help expand market share. This business model has started to generate profit. The next stage is to allow it to grow in scale to further and better capture opportunities and expand its market share.

In the footwear industry, the purchasing and servicing experience continues to play a major role in consumers' choice compared to that in other industries because ultimate end-users need to feel the shoes on their feet. Excellence in customer service is hence of great importance in the Company's operation. The Company listens closely to customer feedbacks from online and offline channels and arranges follow-up actions in a timely manner to ensure customers get the best shopping experience.

The key to success in adapting to the fast-paced new retail era, is flexibility, innovation, and staying ahead of ever-evolving market trends. Adopting the latest production processes and technology greatly improves production efficiency. The Company reviews its production cycle periodically to find room for improvements.

Intelligent manufacturing is the unbeatable trend in the industry's future. With upgraded equipment and machines, the Company's production plants were able to utilise materials more efficiently and raise production efficiency.

The Company spent extra effort on communication costs in the reporting period to enhance operational efficiency. Organisational structure of the Company had undergone certain adjustments to allow quicker and more effective communication between different departments and business units. The changes has enabled faster flow of information and quicker response to management decisions.

FINANCIAL REVIEW

For the six months ended 30 June 2022, the Group's total revenue amounted to RMB715.1 million, decreased by 12.7% as compared to the same period of last year. Profit for the reporting period amounted to RMB24.0 million, decreased by 34.2% from RMB36.5 million as compared to the same period of last year.

Revenue

For the six months ended 30 June 2022, the Group's revenue decreased by 12.7% to RMB715.1 million, compared to RMB819.6 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale of shoes ("**Retail and Wholesale**"), contract manufacturing of shoes ("**Contract Manufacturing**") and retail of toys ("**Retail of Toys**"). The revenue distribution of Retail and Wholesale, Contract Manufacturing and Retail of Toys is set out as follows:

	Six months ended 30 June				
	2022		2021		
	RMB'000	***% of Total Revenue***	*RMB'000*	*% of Total Revenue*	*% of Growth*
Retail and Wholesale	**596,874**	**83.5**	744,870	90.9	(19.9)
Contract Manufacturing	**101,731**	**14.2**	49,977	6.1	103.6
Retail of Toys	**16,536**	**2.3**	24,775	3.0	(33.3)
Total	**715,141**	**100.0**	819,622	100.0	(12.7)

Profitability

For the six months ended 30 June 2022, the Group's gross profit decreased by 17.6% to RMB405.7 million, a decrease of RMB86.6 million from RMB492.3 million in the same period of last year. As of 30 June 2022, the gross profit margin was 56.7%, decreased by 3.4 percentage points compared to 60.1% in the same period of last year.

For the six months ended 30 June 2022, the Group's distribution and selling expenses reached RMB355.1 million, a decrease of RMB53.9 million or decreased by 13.2% from the same period of last year. Distribution and selling expenses accounted for 49.7% of revenue compared to 49.9% in the same period of last year.

For the six months ended 30 June 2022, the Group's administrative and general expenses amounted to RMB50.9 million, a decrease of RMB5.3 million or 9.4% from the same period of last year. Administrative and general expenses accounted for 7.1% of revenue compared to 6.9% in the same period of last year.

For the six months ended 30 June 2022, the Group's other income and expenses and other gains and losses recorded a net gain of RMB27.5 million, compared to a net gain of RMB32.7 million in the same period of last year. Other income mainly comes from government grants, foreign exchange gain, and interest income from bank deposits.

For the six months ended 30 June 2022, the Group recorded finance costs of RMB1.4 million. The same amount of RMB1.4 million was recorded in the same period of last year.

For the six months ended 30 June 2022, the Group's income tax expense decreased by approximately RMB20.7 million or 91.9% to RMB1.8 million, compared to RMB22.5 million in the same period of last year.

For the six months ended 30 June 2022, profit attributable to equity holder of the Company recorded a profit of RMB24.2 million, decreased by RMB11.6 million compared to the same period of last year.

Current Assets and Financial Resources

As of 30 June 2022, the Group had bank balances and cash of RMB455.4 million (31 December 2021: RMB443.1 million). As of 30 June 2022, the Group had no bank borrowings (31 December 2021: nil).

For the six months ended 30 June 2022, net cash generated from operating activities was RMB36.4 million, an increase of RMB31.8 million as compared to net cash generated from operating activities of RMB4.6 million in the same period of last year.

For the six months ended 30 June 2022, net cash used in investing activities was RMB8.0 million, compared to net cash used in investing activities of RMB40.6 million during the same period of last year.

For the six months ended 30 June 2022, net cash outflows from financing activities was RMB16.1 million, while net cash outflows from financing activities in the same period of last year was RMB16.6 million.

As of 30 June 2022, the net current assets of the Group were RMB1,061.9 million, compared with RMB1,025.0 million as of 31 December 2021, representing a net increase of RMB36.9 million or 3.6%.

Pledge of Asset

As of 31 December 2021 and 30 June 2022, the Group had no pledged assets.

Gearing Ratio

As of 31 December 2021 and 30 June 2022, the Group's gearing ratio, computed by dividing total loans and borrowings by total assets, was 0.0%.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2022.

Capital Commitments

As of 30 June 2022, the Group's capital commitments in respect of new factories that have been contracted but not yet provided in the condensed consolidated financial statements were RMB9.9 million, while the capital commitments were RMB10.3 million as of 31 December 2021. As of 31 December 2021 and 30 June 2022, there were no capital commitments of the Group in respect of intangible assets that have been contracted but not yet provided in the condensed consolidated financial statements.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its Contract Manufacturing is mainly denominated in USD. The Contract Manufacturing accounted for 14.2% of total revenue. Nevertheless, the Board will keep monitoring the impact of the exchange rate on our business closely and take appropriate measures to mitigate the impact where necessary.

For the six months ended 30 June 2022, the Group recorded a gain of RMB4,720,000 from currency exchange, compared to a loss of RMB1,246,000 in the same period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Significant Investments Held

As at 30 June 2022, the Group did not hold any significant investments.

Material Acquisitions and Disposal of Subsidiaries, Associated Companies and Joint Ventures

During the reporting period, the Group had no material acquisitions or disposals of subsidiaries, associated companies and joint ventures.

Future Plans for Material Investment or Capital Assets

Save as disclosed in this announcement, as of 30 June 2022, the Group had no concrete plans to make any material investment or acquire capital assets other than in the Group's ordinary course of business.

Human Resources

As of 30 June 2022, the Group had 4,749 employees (31 December 2021: 5,180 employees). Salary costs and employees' benefit expenses were approximately RMB195.5 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB211.8 million). In order to retain top-notched talents, the Group offers competitive remuneration packages, including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees with reference to overall business performance and their individual work performance.

OUTLOOK

Many challenges throughout the world are creating economic pressures in the foreseeable future and limit the outlook. Global growth is projected to slow from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. The Russo-Ukrainian war triggered a costly humanitarian crisis that demands a peaceful resolution. At the same time, inflation is expected to be above many countries' target. Fuel and food prices are expected to continue increasing, hitting vulnerable populations in low-income countries hardest. Moreover, the COVID-19 outbreak continues to bring unprecedented challenges as it impacts long-term global economic development. This results in a global economy that continues ebbs and flows.

China's government officials effectively acknowledged the struggling economy won't hit its official 5.5% growth target this year and said they will try to prop up sagging consumer demand but will maintain the strict anti-COVID-19 tactics that disrupted manufacturing and trade. President Xi Jinping, at the opening of a BRICS forum on 22 June 2022, said China would take additional measures to achieve its annual economic goals while minimising the impact of its pandemic prevention and control as much as possible. Similarly, Premier Li Keqiang said at the World Economic Forum held in July, that China will "strive for relatively good results in economic development for the whole year". It is very likely that in the foreseeable future, pandemic prevention and control will be normalized while at the same time, China will try hard to achieve the best possible results for the economy this year. Looking at the second half of 2022, we still have full confidence in the national ability to fight the pandemic and stimulate economic development.

There still exists, of course, concerns regarding the relationship between China and the US on transnational trading and businesses. Some industry leaders that are or had been listed on the New York Stock Exchange have taken actions to protect their interests in the US market. Barriers to trade in the US are now higher than ever. In addition, America's 'strategic ambiguity' on Taiwan has increased China-US tensions. While it is hard to tell to what extent that this may have on the Company's business and growth, the Company is prepared to face the challenges from increased trade barriers and changes in the international relations.

The Company's management remains cautious in the present circumstance, but maintains its objective to grow and expand its market share to enhance value of the shareholders of the Company.

Looking forward, as one of the leading companies in the footwear industry, the Group takes time to understand and satisfy, where the Group can, the needs of all customers. The Group values changing market preferences and customer demands and so continuously engages with consumers for feedback and comments. C.banner will further entrench itself with the fashion industry to fully utilise resources available in an effort to strengthen its brand influence and maximise sales. Every day, we create value for our customers in ways unmatched by our competitors through our unrivalled reputation for high-quality footwear designs, product development and excellent manufacturing. The Group's focus on areas that are outstanding or require improvements enable the Group to sustain our brand and image and to continue to offer high quality products.

Despite the many challenges this year, the Company's current structure and processes delivered satisfactory performance. To ensure the Group's sustainable development, it is imperative to implement strategies to reflect current trends. Such strategies shall be customer-oriented in terms of products, branding, channel strategy, and e-commerce marketing. We believe there is still room for improvement in the production chain for the Company to enhance the quality of its products. From R&D, product design, choice of materials and production process to inventory and logistics, C.banner will continue to search for the best method to deliver the most cost-effective products for its customers.

Given that the outlook for market demand remains cloudy as the COVID-19 outbreaks are expected to continue during the year, we are taking a long-term view regarding our strategy to nurture and grow the brand. In the future, the Group will invest more in R&D, supply chain and marketing. Meanwhile, in order to enhance operational efficiency, the Group will continue to improve the stores' operational efficiencies with a particular focus on strengthening unprofitable stores.

The Group is committed to following a responsible supply chain strategy. Our ultimate goal of effective supply chain management is higher profits through improved customer satisfaction and a lower cost of doing business. The current ever-changing market requires expeditious decision making and supply chain management. Constant improvements to the quality of products is of paramount importance to C.banner. From supply chain and production process to the procurement of raw materials, the Company seeks to incorporate the latest and most cost-effective materials into its products. As long as there are new companies coming into the supply chain and the market, the Company will continue to reform, reshape, and hone its production line, so as to keep up with the dynamic changes brought by technology, consumers and other market factors. As a critical part of the business model, the Company further improved the traditional supply chain system by upgrading the Four Seasons Order Fair model and applying small batches production to accelerate its market responsiveness.

Looking ahead to the full year of 2022, the rapid spread of the Omicron variant indicates that COVID-19 will likely continue to disrupt economic activity in the near term. Though the Company's operating condition and financial performance is experiencing pressure, the Company successfully confronted the challenges by swiftly responding to the changing market conditions, promptly adjusting its marketing strategies, and leveraging its resource advantages in a bid to minimize the impact of the COVID-19. All in all, no matter how complex and volatile the external environment is, the Group will remain persistent and pragmatic, and continue to strive for the Company's long-term development and create value for the shareholders of the Company.

SIGNIFICANT SUBSEQUENT EVENTS

There was no significant event taken place subsequent to the end of the six months ended 30 June 2022.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") as its own code of conduct regarding Directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has complied with the principles and all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

For the six months ended 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company had reviewed together with the management of the Company and auditor the accounting principles and policies adopted by the Group and the unaudited interim condensed consolidated results for the six months ended 30 June 2022.

PUBLICATION OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS AND 2022 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Hong Kong Stock Exchange and the Company, and the 2022 interim report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

By order of the Board
C.banner International Holdings Limited
Chen Yixi
Chairman

PRC, 30 August 2022

As at the date of this announcement, the executive Directors are Mr. CHEN Yixi, Mr. YUAN Zhenhua, Mr. WU Weiming and Mr. ZHANG Baojun; the non-executive Director is Mr. MIAO Bingwen; and the independent non-executive Directors are Mr. KWONG Wai Sun Wilson, Mr. XU Chengming and Mr. ZHENG Hongliang.