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 2013

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2013 together with comparative figures for the corresponding period in 2012, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**1,113,984**	1,130,380
Gross profit	**693,019**	705,765
Operating profit	**162,762**	189,878
Income tax expense	**(42,421)**	(43,961)
Net profit attributable to equity holders of the Company	**121,426**	140,041
	%	*%*
Gross profit margin	**62.2**	62.4
Operating profit margin	**14.6**	16.8
Net profit margin	**10.9**	12.4
Earnings per share		
– Basic (RMB cents)	**6.07**	7.00
– Diluted (RMB cents)	**5.85**	6.97

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months ended 30 June	
		2013	2012
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,113,984**	1,130,380
Cost of sales		**(420,965)**	(424,615)
Gross profit		**693,019**	705,765
Other income and expenses, other gains and losses	*4*	**40,075**	19,061
Distribution and selling expenses		**(516,898)**	(478,470)
Administrative and general expenses		**(45,539)**	(55,220)
Finance costs		**(7,181)**	–
Share of losses of joint ventures		**(714)**	(1,258)
Profit before tax	*5*	**162,762**	189,878
Income tax expense	*6*	**(42,421)**	(43,961)
Net profit for the period		**120,341**	145,917
Net profit and total comprehensive income for the period attributable to			
Owners of the Company		**121,426**	140,041
Non-controlling interests		**(1,085)**	5,876
		120,341	145,917
Earnings per share			
– Basic (RMB cents)	*8*	**6.07**	7.00
– Diluted (RMB cents)	*8*	**5.85**	6.97

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**157,769**	117,971
Prepaid lease payments		**14,771**	14,962
Investment properties		**–**	47,000
Intangible assets		**2,841**	3,230
Goodwill		**5,725**	5,725
Interest in joint ventures		**4,757**	5,213
Held-to-maturity investments	*10*	**41,065**	33,107
Deferred tax assets		**23,004**	17,515
Long-term deposit		**11,051**	10,716
		260,983	255,439
Current assets			
Inventories		**569,326**	616,701
Trade receivables	*9*	**300,057**	336,144
Other receivables and prepayments		**76,337**	59,667
Held-to-maturity investments	*10*	**10,922**	7,922
Other financial assets	*11*	**385,269**	194,085
Pledged bank deposits		**4,425**	13,841
Bank balances and cash		**698,005**	777,061
		2,044,341	2,005,421
Current liabilities			
Trade payables	*12*	**135,031**	157,224
Other payables		**212,847**	159,784
Income tax liabilities		**49,338**	59,156
Deferred revenue		**6,038**	4,016
		403,254	380,180
Net current assets		**1,641,087**	1,625,241
Total assets less current liabilities		**1,902,070**	1,880,680

	NOTES	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current liability			
Deferred tax liabilities		**1,834**	9,820
Convertible bonds	*13*	**139,803**	132,622
Derivative financial instruments	*13*	**26,748**	32,631
		168,385	175,073
Net assets		**1,733,685**	1,705,607
Capital and reserves			
Share capital		**202,087**	202,087
Reserves		**1,479,368**	1,450,205
Total equity attributable to owners of the Company		**1,681,455**	1,652,292
Non-controlling interests		**52,230**	53,315
		1,733,685	1,705,607

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company								
	Share capital *RMB'000*	**Share premium** *RMB'000*	**PRC statutory reserve** *RMB'000*	**Investment revaluation reserve** *RMB'000*	**Convertible Bonds Equity reserve** *RMB'000*	**Accumulated profits** *RMB'000*	**Sub-total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total** *RMB'000*
At 1 January 2012 (audited)	202,087	480,964	108,129	–	–	612,330	1,403,510	–	1,403,510
Acquisition of a subsidiary	–	–	–	–	–	–	–	43,500	43,500
Net profit and total comprehensive income for the period	–	–	–	–	–	140,041	140,041	5,876	145,917
Gain on fair value changes of available-for-sale investments	–	–	–	605	–	–	605	–	605
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	(605)	–	–	(605)	–	(605)
Recognition of equity component of convertible bonds	–	–	–	–	25,427	–	25,427	–	25,427
Dividend recognised as distribution to shareholders	–	–	–	–	–	(86,000)	(86,000)	–	(86,000)
Dividend recognised as distribution to convertible bond holders	–	–	–	–	–	(4,166)	(4,166)	–	(4,166)
At 30 June 2012 (unaudited)	202,087	480,964	108,129	–	25,427	662,205	1,478,812	49,376	1,528,188
At 1 January 2013 (audited)	**202,087**	**480,964**	**138,992**	**–**	**25,427**	**804,822**	**1,652,292**	**53,315**	**1,705,607**
Net profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**121,426**	**121,426**	**(1,085)**	**120,341**
Dividend recognised as distribution to shareholders	**–**	**–**	**–**	**–**	**–**	**(88,000)**	**(88,000)**	**–**	**(88,000)**
Dividend recognised as distribution to convertible bond holders	**–**	**–**	**–**	**–**	**–**	**(4,263)**	**(4,263)**	**–**	**(4,263)**
Transfer on disposal of a subsidiary	**–**	**–**	**(814)**	**–**	**–**	**814**	**–**	**–**	**–**
At 30 June 2013 (unaudited)	**202,087**	**480,964**	**138,178**	**–**	**25,427**	**834,799**	**1,681,455**	**52,230**	**1,733,685**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 26 April 2002. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 23 September 2011.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Except for the application of new and revised accounting standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for the current interim period.

3. REVENUE AND SEGMENT INFORMATION

The following is an analysis of the Group's revenue and results by operating segments, that are retail and wholesale of branded fashion footwear ("Retail and wholesale") and contract manufacturing of footwear ("Contract manufacturing"), for the period under review:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale		
– external sales	**1,032,162**	1,031,973
Contract manufacturing		
– external sales	**81,822**	98,407
– inter-segment sales	**12,385**	–
Segment revenue	**1,126,369**	1,130,380
Eliminations	**(12,385)**	–
	1,113,984	1,130,380

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment results		
Retail and wholesale	**164,605**	186,930
Contract manufacturing	**6,052**	4,206
	170,657	191,136
Unallocated finance costs	**(7,181)**	–
Share of losses of joint ventures	**(714)**	(1,258)
Profit before tax	**162,762**	189,878

Inter-segment sales are charged at prevailing market prices.

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

	At	At
	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Segment assets		
Retail and wholesale	**2,380,480**	2,385,476
Contract manufacturing	**316,209**	304,827
Total segment assets	**2,696,689**	2,690,303
Eliminations	**(476,838)**	(498,925)
Unallocated	**85,473**	69,482
Total consolidated assets	**2,305,324**	2,260,860

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income and expenses		
Government grants *(note)*	**12,526**	11,084
Interest income on bank deposits	**7,930**	1,765
Interest income on other financial assets	**7,675**	3,200
Rental income	**–**	474
Others	**1,709**	1,216
	29,840	17,739
Other gains and losses		
Gain from changes in fair value of derivative financial instruments	**5,883**	–
Gain on disposal of a subsidiary	**2,711**	–
Investment income from held-to-maturity investments	**1,322**	–
Net foreign exchange gains	**319**	717
Investment income from available-for-sale investments	**–**	605
	10,235	1,322
	40,075	19,061

Note: The amount mainly represented the government subsidies received from the local governments where the Group entities were located.

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging the following items:

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**10,665**	10,511
Amortisation of prepaid lease payments (included in administrative and general expenses)	**191**	191
Amortisation of intangible assets (included in administrative and general expenses)	**389**	268
Total depreciation and amortisation	**11,245**	10,970
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**420,965**	424,615

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
People's Republic of China (the "PRC" or China)		
Enterprise Income Tax	**45,243**	44,035
Hong Kong profits tax	**2,068**	–
Withholding tax	**5,901**	3,506
Deferred tax credit		
Current period	**(10,791)**	(3,580)
	42,421	43,961

7. DIVIDENDS

During the current interim period, a final dividend to ordinary shareholders of RMB0.044 per share in respect of the year ended 31 December 2012 amounting to RMB88,000,000 in aggregate was proposed and approved by shareholders. Also, a dividend to convertible bondholders of RMB0.044 per share amounting to RMB4,263,000 in aggregate was distributed. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: nil) to the shareholders of the Company.

During the six months ended 30 June 2012, a final dividend to ordinary shareholders of RMB0.043 per share in respect of the year ended 31 December 2011 amounting to RMB86,000,000 in aggregate was proposed and approved by shareholders. Also, a dividend to convertible bondholders of RMB0.043 per share amounting to RMB4,166,000 in aggregate was distributed.

8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic earnings per share	**121,426**	140,041
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	2,000,000
Effect of dilutive potential ordinary shares attributable to convertible bonds	**96,875**	8,516
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,096,875**	2,008,516
Earnings per share (RMB cents)		
– Basic	**6.07**	7.00
– Diluted	**5.85**	6.97

9. TRADE RECEIVABLES

The Group allows an average credit period of 60 days for collection of the trade receivables. The following is an aged analysis of trade receivables, presented based on the revenue recognition dates at the end of the reporting period.

	At 30 June 2013	At 31 December 2012
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**226,767**	271,523
61 days to 180 days	**51,897**	52,185
181 days to 1 year	**21,323**	12,128
Over 1 year	**70**	308
	300,057	336,144

10. HELD-TO-MATURITY INVESTMENTS

	At 30 June 2013 *RMB'000* (unaudited)	At 31 December 2012 *RMB'000* (audited)
Debt securities		
Current portion	**10,922**	7,922
Non-current portion	**41,065**	33,107
	51,987	41,029

Held-to-maturity investments represent unsecured debt securities that are either issued by companies with shares listed on the Hong Kong Stock Exchange, Singapore stock exchange and Luxembourg stock exchange, or issued by large banks in PRC, carrying fixed interest rates at 1.85%-11.25% (31 December 2012: 1.85%-5.75%) per annum, and will mature from 26 October 2013 to 25 April 2016. All of the companies and banks are with good credit quality as at 30 June 2013. None of these assets has been past due or impaired at the end of the reporting period.

11. OTHER FINANCIAL ASSETS

	At 30 June 2013 *RMB'000* (unaudited)	At 31 December 2012 *RMB'000* (audited)
Other financial assets	**385,269**	194,085

Other financial assets represent foreign currency or interest rate linked other financial assets ("OFAs") placed by the Group to a number of banks for terms within one year. Pursuant to the relevant underlying agreements, the OFAs carry interest at variable rates from 3.6% to 5.8% (31 December 2012: 4.1% to 5.8%) per annum with reference to the performance of exchange rate or interest rate during the investment period and the principal sums are denominated in RMB fixed and guaranteed by those banks. In the opinion of the Directors, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

12. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 June 2013 *RMB'000* (unaudited)	At 31 December 2012 *RMB'000* (audited)
0 to 90 days	**133,329**	136,374
91 days to 180 days	**1,603**	13,841
181 days to 1 year	**97**	7,009
Over 1 year	**2**	–
	135,031	157,224

13. CONVERTIBLE BONDS

On 15 June 2012, the Company issued zero coupon convertible bonds with a par value of RMB5 each for an aggregate principal amount of RMB189,024,000 (the "Bonds") to three independent third parties who are neither connected nor related to the Group.

The Bonds contain three components: liability component, redemption premium derivative component and conversion component. The liability component and redemption premium derivative components are presented as liabilities while the conversion component is presented in equity as convertible bonds equity reserve. The effective interest rate of the liability component is 10.83% per annum. The redemption premium derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The discounted cash flow method was adopted in determining the fair value of the liability component. The discounted cash flow method and the Monte Carlo simulation were adopted in determining the fair value of the redemption premium derivative component. The variables and assumptions used in assessing the fair value of the redemption premium derivative component are based on the management's best estimate. The value of the convertible bonds varies with different variables and certain subjective assumptions. The inputs into the model were as follows:

	At 30 June 2013	At 31 December 2012
Risk-free interest rate	**0.529%**	0.188%
Dividend yield	**1.84%**	1.83%
Volatility of the Company's share price (with references to historical volatility of the Company)	**35.93%**	40.72%
The Company's share price on valuation date	**HK$3.03**	HK$2.92
Conversion price	**HK$2.40**	HK$2.40

The movement of the liability component, derivative component and conversion component for the reporting period is set out as below:

	Liability component *RMB'000*	Redemption premium derivative component *RMB'000*	Conversion component *RMB'000*	Total *RMB'000*
Convertible bonds:				
At date of issuance and as at 30 June 2012 (unaudited)	125,273	38,324	25,427	189,024
Effective interest expense charged during the year	7,349	–	–	7,349
Changes on fair value	–	(5,693)	–	(5,693)
At 31 December 2012 (audited)	132,622	32,631	25,427	190,680
Effective interest expense charged during the year	7,181	–	–	7,181
Changes on fair value	–	(5,883)	–	(5,883)
At 30 June 2013 (unaudited)	139,803	26,748	25,427	191,978

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The first half of 2013 was a period of mixed challenges for the Group and was also another challenging period for the global economy. The forecast expansion pace of the retail network for mid-to-premium women's footwear in China has slowed down. The relatively slow rate of global economic recovery is likely to remain a dampener on Chinese consumer confidence. The slow-moving macro economy, lack of consumer confidence and poor weather conditions were the main reasons for sluggish sales of the whole industry in the first half of 2013. However, in the long term, we believe that China still represents a booming footwear market.

During the first half of 2013, in the face of the industry slowdown and intensifying competition, the Group's business performance showed a decline. To effectively respond to the industry environment, and to propel the Group's long-term sustainable development, the Group endeavored to build a bigger and more diversified brand portfolio, strengthen the management of retail outlets and enhance operational efficiency, whilst orchestrating the closure of some inefficient stores. Moreover, the Group actively explored new retail channels and is therefore better able to offset the impact of the economic downturn.

During the period under review, the Group has sought to maximize shareholder value through the following initiatives:

Expansion of brand portfolio growth for diversified market segmentation

It has been one of the Group's strategies to further expand its brand portfolio by introducing new brands targeting the mid-to-premium footwear market.

In February 2013, the Group acquired the trademarks of internationally recognized fashion brands "BADGLEY MISCHKA" and "MARK & JAMES". The Group intends to launch women's footwear products under these brands in the future. Their brand value could enhance the brand image of the Group and its influence in the women's footwear market in the PRC.

In March 2013, the Group entered into distribution agreements with Dongguan Highline United Trading Co., Ltd. (the "Dongguan Highline") and J.C. Leather Product (Dong Guan) Ltd. (the "J.C.") to distribute "ASH" and "JC" branded products. The brand positions of "ASH" and "JC" are relatively higher as compared with the Group's existing brands. Therefore, with their accession, the Groups' brand portfolio has been further enriched to better meet a wider range of consumer needs.

Additionally, in July and August 2013, the Group continued to add more retail brands in order to broaden its customer base. It entered into a distribution agreement with Dongguan Highline, and agreed to distribute "FRENCH CONNECTION" branded products and entered into a distribution agreement with United Nude International Limited and Guangzhou La Gu Na Trading Co., Ltd to distribute "UNITED NUDE" branded products.

It is considered that obtaining the distribution rights of additional brands will further enrich the Group's brand portfolio, providing a more diverse product offering to meet a wide range of consumer needs and thereby enhance the Group's market share.

Marketing and branding

The Group continued to improve the operational efficiency and image of its retail outlets to retain and attract customers. It launched a new store brand image in order to attract more customers and improve customer perceived value. With the new brand store openings, it introduced a series of opening celebrations in order to enhance brand image and increase brand awareness.

Expanding nationwide distribution network

The Group's self-developed and licensed brands are mainly distributed through a network of proprietary retail outlets in department stores in China's first-, second- and third-tier cities. It also wholesales its self-developed brands through authorized distributors.

Despite the more challenging business environment in the first half of 2013, the Group added a net 59 proprietary retail outlets and reduced a net 30 third-party outlets during the period under review. As of 30 June 2013, it oversaw a network of 1,615 proprietary retail outlets and 580 third-party outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

Due to the challenging market environment, same store sales growth for the first half of 2013 declined 5.1% from the same period last year.

The following table shows the geographic distribution of proprietary and third-party outlets:

	C.banner		EBLAN		sundance		MIO		Agent Brands	Total
Distribution Regions	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	
Northeast	102	35	83	15	49		12	6	17	**319**
Beijing	50	16	18	4	17		2	8	4	**119**
Tianjin	76	69	43	15	16	1	6	8	14	**248**
Northwest	67	90	46	39	10	2		48	14	**316**
Central China	46	25	15	8	5	1		8	2	**110**
Eastern China	147	50	110	17	47	2	9		29	**411**
Zhejiang	80	16	33	1	12		3	1	21	**167**
Shanghai	58	1	25		10		2		12	**108**
Southwest	100	21	23	2	15			17	8	**186**
Southern China	103	34	36	11	13			9	5	**211**
Total	**829**	**357**	**432**	**112**	**194**	**6**	**34**	**105**	**126**	**2,195**

Note:

1. Northeast region includes Jilin province, Liaoning province and Heilongjiang province;

2. Beijing region includes Beijing, Inner Mongolia Autonomous Region, Zhangjiakou city and Qinhuangdao city in Hebei province;

3. Tianjin region includes Tianjin, Shandong province and Hebei province (except Zhangjiakou city and Qinhuangdao city);

4. Northwest region includes Shanxi province, Shaanxi province, Qinghai province, Gansu province, Henan province, Xinjiang Autonomous Region and Ningxia Autonomous Region;

5. Central China region includes Hunan province and Hubei province;

6. Eastern China region includes Jiangsu province (except Wuxi city and Suzhou city), Anhui province and Jiangxi province;

7. Zhejiang region includes Zhejiang province and Wuxi city and Suzhou city in Jiangsu province;

8. Shanghai region includes Shanghai;

9. Southwest region includes Sichuan province, Guizhou province, Yunnan province, Chongqing city and Tibet Autonomous Region; and

10. Southern China region includes Guangdong province, Hainan province, Guangxi Autonomous Region and Fujian province.

Customer-oriented Research and Design Capacities

The Group is committed to creating product offerings which are fully able to meet the needs of the mid-to-premium women's formal and casual footwear market. The Group continued to invest in maintaining separate design teams for each of its self-developed brands throughout the reporting period, ensuring that each brand's products remain fresh and in line with the latest fashion trends, as well as maintaining their own distinctive look and character.

Vertically Integrated Business Model and Responsive Supply Chain

The Group operates under a vertically integrated business model, which includes the design and development, outsourcing, manufacturing, marketing, wholesaling and retailing of shoes. It provides pre-sale and after-sale services directly to customers with a high degree of interaction with customers.

The Company carried out a series of marketing activities via department store sales, seasonal promotions and promotional activities, outdoor advertising, product catalogs and brochures and other activities, as well as a VIP membership program. As of 30 June 2013, the VIP customer base has grown to over 600,000 people.

The Group has been committed to providing comfort, style and diversity in accordance with the latest trends in high-quality women's footwear. It maintains a research and development center in Foshan, Guangdong Province, to implement systematic research, design and development, focused on the mid-to-premium women's footwear market. The Group has production facilities in Nanjing, Dongguan and Suining with a total annual production capacity of 7.2 million pairs of shoes. The Group also outsources production of some products to better meet market demands.

Financial Review

For the six months ended 30 June 2013, the Group's total revenue declined 1.5% to RMB1,114.0 million as compared to the same period of last year. Operating profit decreased 14.3% to RMB162.8 million for the period under review. Profit attributable to owners of the Company dropped 13.3% to RMB121.4 million as compared to the same period of last year.

Revenue

For the six months ended 30 June 2013, the Group's total revenue declined 1.5% to RMB1,114.0 million, compared to RMB1,130.4 million in the same period of last year.

The Group's revenue mix includes income from retail and wholesale operations and contract manufacturing. Revenue from the contract manufacturing business fell 16.9% during the first half of 2013 as the Group reallocated contract production lines to produce its own proprietary brands.

Revenue distribution is as follows:

	For the six months ended 30 June				
	2013		2012		
		% of Total		% of Total	
	RMB ('000)	**Revenue**	*RMB ('000)*	Revenue	% of Growth
Retail and Wholesaling	**1,032,162**	**92.7**	1,031,973	91.3	0.0
Contract Manufacturing	**81,822**	**7.3**	98,407	8.7	-16.9
Total	**1,113,984**	**100.0**	1,130,380	100.0	-1.5

Profitability

For the six months ended 30 June 2013, the Group's gross profit declined 1.8% to RMB693.0 million, a decrease of RMB12.8 million from RMB705.8 million in the same period of last year. As of 30 June 2013, the gross profit margin was 62.2%, a slight decline of 0.2% from 62.4% in the same period of last year.

For the six months ended 30 June 2013, distribution and selling expenses reached RMB516.9 million. This represented an increase of RMB38.4 million or 8.0% from the same period of last year, which was primarily attributed to higher salary and commissions for salespersons, advertising and marketing expenses and department store commissions. Distribution and selling expenses accounted for 46.4% of total revenue, compared to 42.3% in the same period of last year.

For the six months ended 30 June 2013, administrative and general expenses reached RMB45.5 million, a decrease of RMB9.7 million or 17.6% from the same period of last year. This decrease is mostly attributable to 1) the executive Directors' bonus ratio decreased to 3% as compared to 6% of the net profits (after tax) of the Group in the same period of last year; 2) the daily expenses management was further strengthened during the period under review. Administrative and general expenses accounted for 4.1% of the total revenue, compared to 4.9% in the same period of last year.

For the six months ended 30 June 2013, other income and expenses and other gains and losses recorded a net gain of RMB40.1 million, compared to a net gain of RMB19.1 million in the same period of last year. The main source of other income was from government grants, interest income on bank deposits, and interest income on OFAs.

For the six months ended 30 June 2013, the Group recorded finance costs of RMB 7.2 million, compared to no financial costs in the same period of last year.

For the six months ended 30 June 2013, income tax expense fell by RMB1.6 million to RMB42.4 million, a decline of 3.6%, compared to RMB44.0 million in the same period of last year. This decline was mostly attributed to the decrease in profit before tax and the change in taxation credit items. The effective income tax rate during the period under review was 26.1%, an increase of 2.9 percentage points from 23.2% in the same period of last year.

For the six months ended 30 June 2013, profit attributable to owners of the Company dropped 13.3% to RMB121.4 million, a decrease of RMB18.6 million from RMB140.0 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2013, the Group had bank balances and cash of RMB698.0 million (31 December 2012: RMB777.1 million).

For the six months ended 30 June 2013, net cash from operating activities was RMB123.6 million, an increase of RMB38.4 million as compared to RMB85.2 million in the same period of last year.

For the six months ended 30 June 2013, net cash outflows from investing activities was RMB202.7 million, compared to a net cash inflow of RMB7.0 million from investing activities during the same period of last year. The outflow was primarily related to the investment in other financial assets of RMB768.0 million, payment for acquisition of fixed assets of RMB50.8 million and purchase of held-to-maturity investment of RMB13.3 million, and partially offset by redemption of investment in other financial assets of RMB575.0 million, disposal of a subsidiary of RMB23.9 million and cash inflow from other investing activities.

For the six months ended 30 June 2013, there is no net cash inflow from financing activities.

As of 30 June 2013, the net current assets of the Group were RMB1,641.1 million, compared to RMB1,625.2 million as of 31 December 2012. The net increase was RMB15.9 million or 1.0%.

Pledge of Asset

As of 30 June 2013, the Group had no short-term bank loans. As of the same date, it had pledged bank deposits of RMB4.4 million, compared to RMB13.8 million as of 31 December 2012.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2013.

Foreign Exchange Risk Management

The Group's sales are mainly denominated in RMB, while its contract manufacturing business is mainly denominated in USD. As the contract manufacturing business accounted for only 7.3% of total revenue, the Board does not foresee exchange rate fluctuations having a substantial impact on the Group's business. However, the Board will closely monitor the effects of the exchange rate on the contract manufacturing business and mitigate the impact.

For the six months ended 30 June 2013, the Group recorded a RMB319,415 gain from currency exchange, compared to a RMB716,900 gain in the same period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 30 June 2013, the Group had 12,510 employees (31 December 2012: 11,587 employees). The Group provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees according to business performance and their individual work performance.

Future Outlook

Looking forward, we anticipate uncertainties in the market during the second half of the year. We believe there will be a continued slow recovery of the world economy, while China's economy will convert from a high growth phase into a stable growth phase. However, the Group remains confident about the outlook for the Company as changes to the economic structure by the government, expanding domestic demand, an ongoing urbanization policy and national income growth, are still the long-term retail market growth drivers for its footwear products in the future. The Group will nonetheless continue to maintain a pragmatic and proactive business development strategy and will take full advantage of market opportunities in the near future to continuously improve its business performance.

Overall, the Group will be even more focused on product design and quality in the future, cooperating with other brands to improve product development, design capabilities and product quality, and striving to provide customers with innovative designs, unique styles and high quality in women's footwear and other accessory products.

As the high-end women's footwear market is expected to gradually regain stable growth, and in line with the recovery of the macro economy as well as consumer confidence and consumption levels, the Group intends to open 100 proprietary outlets and 50 third-party outlets in the second half of 2013, in order to maintain and grow market share. The Group will actively explore new retail channels and begin setting up shops in shopping malls. It will also work with third parties to create an online platform for the sale of its products to further expand its customer base as well as its distribution and retail network.

The Group will enhance market influence to further expand its market share through a variety of marketing activities. It will additionally enhance its operating capacity including optimizing store portfolios, improvement of store sales, strengthening supply chain management and enhancement of operational efficiency.

The Group will continue to implement a multi-brand strategy and, through independent research and development as well as cooperating with other brands, continue to enrich its brand portfolio to meet the diverse needs of its customers and potential customers.

It will also continue to seek opportunities to grow its business through selective acquisitions, as well as benefitting from enormous brand value and creating synergy.

The Group will benefit from these strategies and continue to strengthen overall competitiveness in order to provide shareholders with positive results.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (for the six months ended 30 June 2012: nil) to the shareholders of the Company.

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 Listing Rules 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 2013.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with 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 2013. 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 2013, 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 had reviewed together with the management of the Company and auditor the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2013.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2013 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 2013 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 2013

As at the date of this announcement, the executive Directors of the Company are Mr. CHEN Yixi, Mr. LI Wei, Mr. HUO Li and Mr. XU Tingyu; the non-executive Directors of the Company are Mr. MIAO Bingwen, Mr. HO Chi Kit (with Mr. LI Xinhui as his alternate director) and Mr. WU Guangze; and the independent non-executive Directors of the Company are Mr. KWONG Wai Sun Wilson, Mr. XU Chengming, Mr. LI Xindan and Mr. ZHANG Zhiyong.