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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

ANNUAL RESULTS HIGHLIGHTS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Revenue	**2,430,007**	2,432,165
Gross profit	**1,507,723**	1,539,480
Operating profit	**347,666**	435,276
Income tax expense	**(114,142)**	(111,312)
Net profit attributable to equity holders of the Company	**231,338**	313,521
	%	*%*
Gross profit margin	**62.0**	63.3
Operating profit margin	**14.3**	17.9
Net profit margin	**9.5**	12.9
	RMB cents	*RMB cents*
Earnings per share		
– Basic	**11.57**	15.68
– Diluted	**11.43**	15.36

	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Balance of cash and bank deposits	**598,659**	777,061
Bank loans	**0**	0
	%	*%*
Liquidity ratio	**636.3**	527.5
Gearing ratio	**0**	0.6
	Days	*Days*
Average inventory turnover period	**245.3**	240.9
Average receivables turnover period	**55.1**	43.5
Average payable turnover period	**53.5**	59.5

Note: Liquidity ratio = current assets/current liabilities; gearing ratio = notes payable and bank loans/total assets

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2013 together with the comparative figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Revenue	*4*	**2,430,007**	2,432,165
Cost of sales		**(922,284)**	(892,685)
Gross profit		**1,507,723**	1,539,480
Other income and expenses and other gains and losses	*5*	**88,335**	56,600
Distribution and selling expenses		**(1,143,340)**	(1,040,475)
Administrative and general expenses		**(89,524)**	(110,996)
Finance costs		**(14,363)**	(7,349)
Share of losses of joint ventures		**(1,165)**	(1,984)
Profit before tax	*6*	**347,666**	435,276
Income tax expense	*7*	**(114,142)**	(111,312)
Net profit for the year		**233,524**	323,964
Net profit and total comprehensive income for the year			
Attributable to owners of the Company		**231,338**	313,521
Non-controlling interests		**2,186**	10,443
		233,524	323,964
Earnings per share			
– Basic (RMB cents)	*8*	**11.57**	15.68
– Diluted (RMB cents)	*8*	**11.43**	15.36

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	NOTES	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment		**186,254**	117,971
Prepaid lease payments		**14,579**	14,962
Investment properties		**–**	47,000
Intangible assets		**2,992**	3,230
Prepayments for intangible assets		**6,362**	–
Goodwill		**5,725**	5,725
Interest in joint ventures		**4,706**	5,213
Held-to-maturity investments	9	**17,157**	33,107
Deferred tax assets		**36,910**	17,515
Long-term deposit		**16,074**	10,716
		290,759	255,439
Current assets			
Inventories		**622,946**	616,701
Trade receivables	10	**397,662**	336,144
Other receivables and prepayments		**100,291**	59,667
Held-to-maturity investments	9	**29,787**	7,922
Other financial assets		**331,753**	194,085
Pledged bank deposits		**–**	13,841
Bank balances and cash		**598,659**	777,061
		2,081,098	2,005,421
Current liabilities			
Trade payables	11	**113,115**	157,224
Other payables		**180,662**	159,784
Income tax liabilities		**30,451**	59,156
Deferred revenue		**2,838**	4,016
		327,066	380,180
Net current assets		**1,754,032**	1,625,241
Total assets less current liabilities		**2,044,791**	1,880,680
Non-current liability			
Deferred tax liabilities		**24,393**	9,820
Convertible bonds	12	**146,985**	132,622
Derivative financial instruments	12	**26,545**	32,631
		197,923	175,073
Net assets		**1,846,868**	1,705,607
Capital and reserves			
Share capital	13	**202,087**	202,087
Reserves		**1,589,280**	1,450,205
Total equity attributable to owners of the Company		**1,791,367**	1,652,292
Non-controlling interests		**55,501**	53,315
		1,846,868	1,705,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. GENERAL

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.

Pursuant to a special general meeting dated 1 February 2012, the Company changed its name from Hongguo International Holdings Limited, 鴻國國際控股有限公司 to C.banner International Holdings Limited, 千百度國際控股有限公司.

The Company is an investment holding company and its subsidiaries established in the People's Republic of China ("PRC") are principally engaged in the manufacture and sale of branded fashion footwear.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following new and revised International Accounting Standards ("IASs"), IFRSs, amendments and interpretations ("Int") (hereinafter collectively referred to as "new and revised IFRSs") issued by the International Accounting Standard Board ("IASB") for the first time in the current year.

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 27 (as revised in 2011)	Separate Financial Statements
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRS 14	Regulatory Deferral Accounts[5]
IFRIC-Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application-the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[5] Effective for first annual IFRS financial statements beginning on or after 1 January 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating segments are based on information prepared and reported to the chief operating decision makers ("CODM"), the board of directors of the Company, for the purposes of resource allocation and performance assessment. The Group is organised into two segments, retail and wholesale of branded fashion footwear ("Retail and wholesale") and contract manufacturing of footwear ("Contract manufacturing"). These segments are the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating and reportable segments for the year:

	2013	2012
	RMB'000	*RMB'000*
Segment revenue		
Retail and wholesale		
– external sales	**2,245,060**	2,224,718
Contract manufacturing		
– external sales	**184,947**	207,447
– inter-segment sales	**60,916**	44,104
Segment revenue	**2,490,923**	2,476,269
Eliminations	**(60,916)**	(44,104)
Group revenue	**2,430,007**	2,432,165
Segment results		
Retail and wholesale	**339,763**	420,977
Contract manufacturing	**14,928**	16,186
	354,691	437,163
Investment income from held-to-maturity investments	**2,417**	1,148
Gain from AFS investments	**–**	605
Gain from changes in fair value of derivative financial instruments	**6,086**	5,693
Finance costs	**(14,363)**	(7,349)
Share of losses of joint ventures	**(1,165)**	(1,984)
Profit before income tax	**347,666**	435,276
Income tax expense	**(114,142)**	(111,312)
Net profit for the year	**233,524**	323,964

Segment results represent the profits earned by each segment and excluding investment income from held-to-maturity investments, gain from available-for-sale investments, gain from changes in fair value of derivative financial instruments, finance costs, share of losses of joint ventures and income tax expense. This is the measure reported to CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

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

	2013	2012
	RMB'000	*RMB'000*
Segment assets		
Retail and wholesale	**2,866,675**	2,391,201
Contract manufacturing	**656,620**	304,827
Total segment assets	**3,523,295**	2,696,028
Eliminations	**(1,239,998)**	(498,925)
Unallocated	**88,560**	63,757
Total consolidated assets	**2,371,857**	2,260,860
Segment liabilities		
Retail and wholesale	**665,955**	380,549
Contract manufacturing	**594,091**	213,088
Total segment liabilities	**1,260,046**	593,637
Eliminations	**(963,432)**	(272,613)
Unallocated	**228,375**	234,229
Total consolidated liabilities	**524,989**	555,253

For the purposes of monitory segment performance and allocating resources between segments, segment assets are allocated to operating segments other than interest in joint ventures, held-to-maturity investments and deferred tax assets, while all liabilities are allocated to operating segments other than income tax liabilities, deferred tax liabilities, convertible bonds and derivative financial instruments.

Other segment information

	Retail and wholesale	**Contract manufacturing**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2013			
Depreciation expense	20,725	1,982	22,707
Amortisation of intangible assets	701	151	852
Amortisation of prepaid lease payments	383	–	383
Allowance for inventory obsolescence	4,572	254	4,826
Purchase of property, plant and equipment	90,728	1,886	92,614
Purchase of intangible assets	614	–	614
Prepayment for intangible assets	6,362	–	6,362
Proceeds from disposal of property, plant and equipment	1,285	339	1,624
Interest income on bank deposits	(11,510)	(27)	(11,537)
Interest income on other financial assets	(19,386)	–	(19,386)

	Retail and wholesale *RMB'000*	Contract manufacturing *RMB'000*	Total *RMB'000*
For the year ended 31 December 2012			
Depreciation expense	18,606	2,516	21,122
Amortisation of intangible assets	587	76	663
Amortisation of prepaid lease payments	384	–	384
Allowance for inventory obsolescence	6,205	16	6,221
Purchase of property, plant and equipment	28,443	1,166	29,609
Purchase of intangible assets	947	756	1,703
Proceeds from disposal of property, plant and equipment	1,574	189	1,763
Interest income on bank deposits	(9,903)	(20)	(9,923)
Interest income on other financial assets	(8,975)	–	(8,975)

Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from external customers, based on location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2013	2012
	RMB'000	*RMB'000*
PRC	**2,243,891**	2,224,718
United States of America	**186,116**	207,447
Total	**2,430,007**	2,432,165

	Non-current assets	
	2013	2012
	RMB'000	*RMB'000*
PRC	**236,692**	204,817

Note: Non-current assets exclude deferred tax assets and held-to-maturity investments.

There is no single customer contributing over 10% of the total sales of the Group during both years.

5. OTHER INCOME AND EXPENSES AND OTHER GAINS AND LOSSES

	2013	2012
	RMB'000	*RMB'000*
Other income		
Government grants *(Note 1)*	**40,203**	23,909
Interest income on bank deposits	**11,537**	9,923
Interest income on other financial assets	**19,386**	8,975
Rental income	**68**	297
	71,194	43,104
Other gains and losses		
Investment income from held-to-maturity investments	**2,417**	1,148
Gain reclassified from equity to profit or loss on disposal of AFS investments	**–**	605
Gain from changes in fair value of investment properties	**–**	1,000
Gain from changes in fair value of derivative financial instruments	**6,086**	5,693
Gain on disposal of a subsidiary *(Note 2)*	**2,711**	–
Net foreign exchange loss	**(894)**	(496)
	10,320	7,950
Other expenses		
	6,821	5,546
	88,335	56,600

Note 1: The amount mainly represented the subsidies received from the local governments where the Group entities were located for encouragement of business development activities in the local areas.

Note 2: During the year, the Group entered into a sale and purchase agreement with an independent third party to dispose of its 100% equity interest in a subsidiary of the Group, Nanjing Ruihe Trade Co., Limited ("Nanjing Ruihe"). Nanjing Ruihe is an investment property holding company. The disposal was completed on 21 May 2013, on which date the Group lost control of Nanjing Ruihe.

6. PROFIT BEFORE TAX

Profit before tax for the year has been arrived at after charging:

	2013	2012
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**22,707**	21,122
Amortisation of lease premium for land use rights	**383**	384
Amortisation of intangible assets	**852**	663
Total depreciation and amortization	**23,942**	22,169
Auditor's remuneration	**1,400**	1,500
Employee benefits expense	**434,867**	437,840
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**922,284**	892,685

7. INCOME TAX EXPENSE

	2013	2012
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**105,708**	106,443
Hong Kong Profits Tax	**968**	2,086
Withholding tax	**9,323**	3,041
Under provision of EIT in prior years	**281**	17
Deferred tax credit:		
Current year	**(2,138)**	(275)
	114,142	111,312

The tax charge for the year ended 31 December 2013 can be reconciled to the profit before tax as follows:

	2013	2012
	RMB'000	*RMB'000*
Profit before tax	**347,666**	435,276
Tax at the PRC EIT rate of 25% (2012: 25%)	**86,917**	108,819
Tax effect of share of losses of joint ventures	**291**	445
Tax effect of expenses not deductible for tax purpose	**2,923**	5,350
Tax effect of income not taxable in other jurisdiction	**(2,978)**	(2,443)
Under provision in respect of prior year	**281**	17
Utilization of tax loss previously not recognized	**–**	(2,576)
Effect of different tax rates of group entities operating in jurisdictions other than PRC	**(480)**	(1,075)
Withholding tax	**27,188**	2,775
Income tax expense for the year	**114,142**	111,312

8. EARNINGS PER SHARE

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

	2013	2012
Earnings *(RMB'000)*		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	**231,338**	313,521
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments	**(6,086)**	(5,693)
Effective interest expense on convertible bonds	**14,363**	7,349
Earnings for the purposes of diluted earnings per share	**239,615**	315,177
Number of shares *('000)*		
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**	52,474
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,096,875**	2,052,474
Earnings per share *(RMB cents)*		
– Basic	**11.57**	15.68
– Diluted	**11.43**	15.36

9. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprise:

	2013	2012
	RMB'000	*RMB'000*
Debt securities		
Current portion	**29,787**	7,922
Non-current portion	**17,157**	33,107
	46,944	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, or issued by subsidiaries of state-owned enterprises in the PRC, carrying fixed interest rates at 1.85% to 11.25% (31 December 2012: 1.85% to 5.75%) per annum, and will mature from 3 June 2014 to 25 April 2016. All of the companies are with good credit quality as at 31 December 2013. None of these assets has been past due or impaired at the end of the reporting period.

10. TRADE RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Amounts receivable from sales of goods	**397,662**	336,144

The group allows a 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.

	2013	2012
	RMB'000	*RMB'000*
0 to 60 days	**322,531**	271,523
61 days to 180 days	**55,234**	52,185
181 days to 1 year	**12,337**	12,128
Over 1 year	**7,560**	308
Amounts receivable from sales of goods	**397,662**	336,144

11. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The aging of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	2013	2012
	RMB'000	*RMB'000*
Age		
0 to 90 days	**94,852**	153,708
91 days to 180 days	**18,024**	3,486
181 days to 1 year	**193**	8
Over 1 year	**46**	22
	113,115	157,224

12. CONVERTIBLE BONDS

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

(1) Denomination of the Bonds – the Bonds are denominated in RMB

(2) Maturity date – four years from the date of issuance, which is 14 June 2016 (the "Maturity Date")

(3) Interest – the Bonds do not bear any interest

(4) Conversion

a. Conversion Price – the conversion price is Hong Kong dollars ("HK$")2.40 per each new share to be issued upon conversion of the Bonds ("Conversion Shares"), subject to adjustment in accordance with the terms of the Bonds, including consolidation, subdivision or reclassification; making dividend other than in cash or in shares; repurchase of shares; rights issues of shares or options over shares; rights issues of other securities; modification of rights of conversion etc (the "Conversion Price"). The number of Conversion Shares to be issued on conversion shall be calculated on the basis of a fixed conversion rate of HK$1.00 to RMB0.8130.

b. Conversion period – the Bondholders have the right to convert the Bonds into shares of the Company at any time on or after the issue date of the Bonds up to the close of business on the date that is two business days prior to the Maturity Date, or if such Bonds have been called or put for redemption at any time on or after the issue date, then up to the close of business on a date no later than five business days prior to the date fixed for redemption.

c. Rights – the Conversion Shares will rank pari passu in all respects with the shares of the Company then in issue on the relevant conversion date.

(5) Redemption

a. Redemption period – unless previously redeemed, converted or purchased and cancelled, the Company will redeem each Bond on the Maturity Date. The Company and the Bondholder may not redeem the Bonds at its option prior to the Maturity Date.

b. Redemption price – the Bonds will be redeemed at an amount, on Maturity Date, equal to aggregate of the United States dollars ("USD") equivalent of (i) the principal amount of all outstanding Bonds; (ii) any unpaid accrued dividend on the Maturity Date; and (iii) redemption premium.

c. Redemption premium – on the Maturity Date, if the Conversion Price is greater than the average of the volume weighted average price ("VWAP") for the share of the Company for the 60 consecutive trading days ending on the trading day immediately preceding the Maturity Date, then the redemption premium shall be calculated by multiplying (i) the difference between the Conversion Price and the average of the VWAP for the share of the Company for the 60 consecutive trading days ending on the trading day immediately preceding the Maturity Date by (ii) the number of Conversion Shares.

(6) Dividend interest – whenever the Company pays or makes any dividend in cash to the shareholders of the Company, the Bondholders shall be entitled to be paid in respect of that dividend ("Dividend Interest"). Such Dividend Interest shall be calculated by multiplying (i) the amount of dividend per share by (ii) the number of Conversion Shares.

(7) Transferrability – subject to the terms and conditions set out in the Bond subscription agreement, the Bonds and compliance with all applicable laws, rules and regulations, the Bonds and the Conversion Shares are freely transferrable.

(8) Voting – the Bondholders will not be entitled to receive notice of or attend or vote at general meetings of the Company by reason only of being the Bondholders.

(9) Listing – the Bonds will not be listed on the Hong Kong Stock Exchange or any other stock exchange.

(10) Covenants – so long as there are outstanding Bonds, the Company will not create or permit to subsist, and the Company will procure that no subsidiary of the Company will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any debt securities or to secure any guarantee of or indemnity in respect of, any debt securities, unless, at the same time or prior thereto, the Company's obligations under the Bonds: (i) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto; or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by a special resolution of the Bondholders. So long as there are outstanding Bonds, the Company will not, and will procure that its subsidiaries will not, consolidate with, merge or amalgamate into or transfer its assets substantially as an entirety to any corporation or convey or transfer its properties and assets substantially as an entirety to any person.

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 of certain subjective assumptions. The inputs into the model were as follows:

	31 December 2013	31 December 2012
Risk-free interest rate	**0.482%**	0.188%
Discount rate	**6.9%**	9.84%
Dividend yield	**2.12%**	1.83%
Volatility of the Company's share price (with references to historical volatility of the Company and comparable companies' share prices)	**32.96%**	40.72%
The Company's share price on valuation date	**HK$2.66**	HK$2.92

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 1 January 2013	132,622	32,631	25,427	190,680
Effective interest expense charged during the year	14,363	–	–	14,363
Changes on fair value	–	(6,086)	–	(6,086)
As at 31 December 2013	146,985	26,545	25,427	198,957

13. SHARE CAPITAL

	Number of ordinary shares of USD0.015 each	Amount *USD'000*
Authorised:		
At 1 January 2012 & 31 December 2012 & 31 December 2013	20,000,000,000	300,000
Issued and fully paid:		
At 1 January 2012 & 31 December 2012 & 31 December 2013	2,000,000,000	30,000
Shown in the consolidated statement of financial position		
At 1 January 2012 & 31 December 2012 & 31 December 2013		202,087

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

14. DIVIDENDS

	2013 ***RMB'000***	2012 *RMB'000*
Dividends recognised as distribution to ordinary shareholders during the year	**88,000**	86,000

In 2013, a dividend to ordinary shareholders of RMB0.044 per share amounting to RMB88,000,000 in aggregate was proposed and paid.

In 2012, a dividend to ordinary shareholders of RMB0.043 per share amounting to RMB86,000,000 in aggregate was proposed and paid.

Also, during the year, a dividend to convertible bondholders of RMB0.044 per share amounting to RMB4,263,000 in aggregate was paid.

In 2012, a dividend to convertible bondholders of RMB0.043 per share amounting to RMB4,166,000 in aggregate was paid.

The final dividend of RMB0.03 (2012: RMB0.044) per share has been proposed by the Company's directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

A special dividend to ordinary shareholders of RMB0.23 per share amounting to RMB460,000,000 in aggregate has been approved by the Company's board of directors on 26 February 2014 and will be paid on or around 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2013, global economic conditions were still sluggish with competition heating up in the retail industry. Influenced by the macro economy, poor consumer sentiment, bad weather conditions and keen competition both inside and outside the industry, the footwear retail industry has gone through a tough year in 2013, especially for women's footwear.

In 2013, in the face of an industry slowdown and intensifying competition, the Group's business performance showed a decline. However, to effectively respond to the challenging global economic environment and to propel its long term development, the Group focused on improving efficiencies by adjusting and optimizing the existing store portfolio, closing some underperforming outlets and improving the performance of every proprietary outlet. Additionally, the Group focused on expanding the network of new licensed brand stores and on new brand sales, to offset the adverse effects of same-store sales decline.

To further enhance management efficiency, the Group optimized its plan for product development and distribution to effectively meet customer needs and reduce manufacturing and delivery costs. The Group also strengthened its inventory management and supply chain to improve production efficiency. Moreover, the Group actively explored new retail channels and is therefore better able to offset the impact of the economic downturn.

During the year under review, the Group has sought to maximize shareholder value through a wide range of initiatives.

Multi-brand portfolio for diversified market segmentation

The Group continued to add new brands to its brand portfolio in 2013, in order to diversify its footwear offerings and enter diversified market segments. In February 2013, it acquired the trademarks of internationally recognized fashion brands "BADGLEY MISCHKA" and "MARK & JAMES". The newly acquired brands will contribute to the Group's market segmentation and enhance the Group's brand image.

In March 2013, the Group entered into distribution agreements with Dongguan Highline United Trading Co., Ltd. ("Dongguan Highline") and J.C. Leather Product (Dong Guan) Ltd. ("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. With their addition, the Group's brand portfolio has been further enriched to better meet a wider range of consumer's needs and interests. In November 2013, "ASH" opened a flagship store in Shanghai, which is China's first branded life concept store for popular footwear. The opening of this "ASH" lifestyle outlet helped the Group to enter into a new phase and further enhanced its brand portfolio and image.

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

Marketing strategies

During the year under review, the Group adopted diversified marketing strategies to boost sales and enhance brand value. These marketing strategies are focused on mid-to-premium women's footwear in China, emphasizing the interaction with customers.

The Group uses different advertising methods to reach more potential customers in order to enhance its brand awareness and brand preference. The Group launches advertisements in renowned magazines and outdoor locations, and uses different promotion strategies to increase sales and to attract new customers.

The Group opens numerous stores to display its products and deal directly with customers. It continuously launches new branded stores to expand market coverage and strengthen its presence. Moreover, the opening ceremony of each new store also acts to enhance the Group's brand awareness and brand image.

Extensive network coverage

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 challenging business environment in 2013, the Group added a total of 156 proprietary retail outlets and reduced third-party outlets by 36 during the period under review. As of 31 December 2013, it oversaw a network of 1,712 proprietary retail outlets and 574 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 2013 declined by approximately 6.9% compared to the previous year.

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

Distribution Regions	C.banner Proprietary outlets	C.banner Third-party outlets	EBLAN Proprietary outlets	EBLAN Third-party outlets	sundance Proprietary outlets	sundance Third-party outlets	MIO Proprietary outlets	MIO Third-party outlets	Licensed Brands Proprietary outlets	Total
Northeast	98	34	71	16	32	–	12	9	25	297
Beijing	47	18	20	4	17	–	2	7	15	130
Tianjin	74	77	41	15	14	1	6	11	22	261
Northwest	72	100	44	41	11	2	–	50	17	337
Central China	47	26	14	8	4	–	–	8	9	116
Eastern China	164	53	110	16	44	2	14	–	43	446
Zhejiang	87	12	39	–	14	–	5	–	26	183
Shanghai	62	–	24	–	9	–	1	–	24	120
Southwest	98	15	19	1	14	–	–	11	24	182
Southern China	99	28	30	9	12	–	5	–	31	214
Total	848	363	412	110	171	5	45	96	236	2,286

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 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. Based at the Group's research and development centre in Foshan, Guangdong province, each team includes experienced brand directors, design managers and designers.

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-sales service directly to customers with a high degree of interaction with its customers.

In 2013, 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 31 December 2013, the VIP customer base had grown to over 670,000 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 set 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.

Information System

To coordinate the integration of the Group's online and offline businesses and to promote the development of the Group's online business, the Group is actively upgrading its information system. The updated system will increase the communication efficiency between online and offline businesses, and contribute to the integration of the Group's business in terms of inventory and logistics.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group's total revenue slightly declined 0.1% to RMB2,430.0 million, compared to the same period of last year. Gross profit decreased by 2.1% to RMB1,507.7 million. Operating profit decreased by 20.1% to RMB347.7 million in the year under review. Profit for the year decreased by approximately 27.9% to RMB233.5 million. Profit attributable to equity holders was approximately RMB231.3 million, representing a decrease of approximately 26.2% over the last year.

Revenue

For the year ended 31 December 2013, the Group's total revenue slightly declined 0.1% to RMB2,430.0 million, compared to RMB2,432.2 million in the same period of last year. The Group operated a total of 2,286 stores as of 31 December 2013.

The Group's revenue mix includes income from its retail and wholesale operations, as well as contract manufacturing. Revenue distribution is as follows:

	For the year ended 31 December				
	2013		2012		
	RMB ('000)	**% of Total Revenue**	RMB ('000)	% of Total Revenue	% Growth
Retail and Wholesaling	**2,245,060**	**92.4**	2,224,718	91.5	0.9
Contract Manufacturing	**184,947**	**7.6**	207,447	8.5	–10.8
Total	**2,430,007**	**100.0**	2,432,165	100.0	–0.1

Profitability

The Group's gross profit decreased 2.1% to RMB1,507.7 million, compared to RMB1,539.5 million last year. As of 31 December 2013, the gross profit margin was 62.0%, a decrease of 1.3 percentage points from 63.3% in the corresponding period of last year.

Contributions from retail and wholesaling operations year-on-year increased 0.9% to RMB2,245.1 million of overall revenue as of 31 December 2013. The contribution from retail and wholesale rose to 92.4% as a proportion of revenue compared to 91.5% last year, while the proportion of revenue attributable to contract manufacturing fell to 7.6%. The decline in contract manufacturing was mainly due to the Group scaling back its OEM manufacturing capacity in order to allocate more capacity for its proprietary brand products.

For the year ended 31 December 2013, distribution and selling expenses reached RMB1,143.3 million, an increase of 9.9%, compared to expenses of RMB1,040.5 million last year. Distribution and selling expenses mainly consisted of concessionaire fees, rental expenses, salaries and commissions of salespersons, renovation expenses for self-owned retail stores, advertising and marketing expenses. Distribution and selling expenses was equivalent to around 47.1% of total revenue, compared to 42.8% in the corresponding period of last year. The increase was primarily due to a rise in concessionaire fees, rental expenses, salaries and commissions of salespersons.

Administrative and general expenses over the year was RMB89.5 million, a decrease of RMB21.5 million compared to the same period of last year. This decrease was mostly attributable to the decrease of the performance related incentive bonus for Directors due to the market condition during the year under review. Administrative and general expenses mainly consisted of salaries and benefits for management and executives, rental payment for office premises, depreciation of office equipment and other related administrative expenses. Administrative and general expenses were equivalent to 3.7% of total revenue, compared to 4.6% in the same period of last year.

Other income and other losses over the year was a net of RMB88.3 million, an increase of RMB31.7 million compared to the same period of last year. This was mainly attributed to the increase on Governments grants, interest income from bank deposit, investment income from other financial assets and held-to-maturity investment.

Finance costs over the year were RMB14.4 million, compared to RMB7.3 million last year. The increase was made up of effective interest expenses on convertible bonds.

Income tax expense over the year increased by RMB2.8 million or 2.5% to RMB114.1 million, compared to an expense of RMB111.3 million last year. The Group's effective income tax rate in 2013 was 32.8%, an increase of 7.2 percentage points compared to an effective tax rate of 25.6% last year.

Profit attributable to equity holders of the company dropped 26.2% to RMB231.3 million, a decrease of RMB82.2 million compared to a profit of RMB313.5 million last year.

Liquid Assets, Financial Resources and Capital Expenditure

As of 31 December 2013, the Group had bank balances and cash of RMB598.7 million, compared to RMB777.1 million at the end of last year.

Net cash generated from operating activities was RMB78.1 million, compared to RMB251.4 million as of the end of last year. The decrease is primarily attributed to the decrease on profit before tax.

Inventory rose 1.0% from RMB616.7 million in 2012 to RMB622.9 million in 2013. This was mostly attributable to the net addition of 120 proprietary stores across the Group in 2013 and the launch of new licensed brands.

The Group recorded a net cash outflow of RMB164.2 million from investing activities for the full year, compared to a net outflow of RMB77.1 million in 2012. The outflow was primarily due to the investment in other financial asssets.

Net cash used in financing activities was RMB92.3 million in 2013, compare to a net inflow of RMB98.9 million in 2012. This decrease is mostly attributable to the issuing of RMB189 million convertible bonds in 2012.

As of 31 December 2013, the net current assets of the Group were RMB1,754.0 million, compared to RMB1,625.2 million at the end of last year, an increase of 7.9% or RMB128.8 million.

Pledge of Asset

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

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 31 December 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 7.6% of total revenue as of 31 December 2013, 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 year ended 31 December 2013, the Group recorded a RMB0.9 million loss from currency exchange, compared to a RMB0.5 million loss in the corresponding period of last year. The Group did not hold any derivative instruments for hedging against foreign exchange risk.

Human Resources

As of 31 December 2013, the Group had 12,222 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 the business performance and their individual work performance.

Dividend

The Board of Directors of the Company has declared a final dividend of RMB0.03 (2012: RMB0.044) per share for the year ended 31 December 2013.

The proposed final dividend will be paid in or around July 2014 after approval by shareholders at the forthcoming annual general meeting.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from 20 June 2014 to 26 June 2014.

OUTLOOK

It is believed that there will be a continuing slow recovery of the world economy in the future, while China's economy will convert from a high growth phase into a stable growth phase. Although the footwear market is still under some pressure and remains challenging in the short term, the Group is optimistic about business prospects in 2014 due to the recovery of the macroeconomic environment, the government's new policy on the Chinese economy and growing domestic wealth and demand. It is believed the worst is over, and the industry will maintain a slow but steady recovery over the next couple of years.

As China still represents a booming footwear market in the long term, the high-end women's footwear market in China is expected to gain stable growth. 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.

The Group will also continue its multi-brand strategy. With better understanding of our customers and of market segmentation, the Group will provide new brands to clearly targeted markets, with greater customization to satisfy individual needs, in order to further expand its customer base.

At the same time, the Group will adjust its expansion pace according to the changes in the retail market and in customers' tastes, in order to increase marketing effectiveness and market share.

The Group will further enhance brand awareness and brand preference through effective marketing promotions, paying keen attention to new marketing methods and strategies and fully making use of online marketing to increase marketing efficiencies.

Furthermore, the Group will optimize the store combination and work to increase single-store sales performance. It will also strengthen supply chain management and increase operating efficiency. By doing so, it can shorten the production cycle and decrease the time needed for replenishment. The Group will also make efforts to clear out off-season products through diversified sales channels.

Moreover, the Group will continue to seek opportunities to grow its business through selective acquisitions, benefiting from new synergies and building greater brand value.

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

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 June 2014 to 27 June 2014, both days inclusive, in order to determine the identity of the shareholders who are entitled to attend the forthcoming annual general meeting to be held on 27 June 2014. All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 23 June 2014.

The register of members of the Company will also be closed from 4 July 2014 to 9 July 2014, both days inclusive, in order to determine the entitlement of the shareholders to the final dividend (if approved by the shareholders). All transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 3 July 2014.

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. Save as disclosed below, 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended 31 December 2013. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

According to Rule 3.10A of the Listing Rules, the Company is required to appoint independent non-executive Directors representing at least one-third of the Board; and according to code provision A.5.1 of the CG Code, the nomination committee of the Company shall comprise a majority of independent non-executive Directors.

Following the resignation of Mr. Xu Chengming as an independent non-executive Director on 28 January 2014, the number of independent non-executive Directors is less than one-third of the Board members as required under Rule 3.10A of the Listing Rules and the majority members of the nomination committee of the Company are not independent non-executive Directors as required under code provision A.5.1 of the CG Code. The Company will endeavor to identify suitable candidate to fill the vacancy and to comply with Rule 3.10A of the Listing Rules and code provision A.5.1 of the CG Code as soon as practicable. Further announcement will be made by the Company as and when appropriate.

Under code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other engagement, Mr. Xu Chengming (resigned on 28 January 2014) was unable to attend the annual general meeting of the Company held on 28 June 2013.

AUDIT COMMITTEE

The Audit Committee had reviewed together with the Board and external auditor the accounting standards and practices adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS

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. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standards as set out in the Model Code during the year ended 31 December 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2013 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange and the Company, and the 2013 Annual 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 Stock Exchange and the Company in due course.

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

PRC, 28 March 2014

As at the date of this announcement, the executive Directors are Mr. CHEN Yixi, Mr. LI Wei, Mr. HUO Li and Mr. XU Tingyu; the non-executive Directors 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 are Mr. KWONG Wai Sun Wilson, Mr. LI Xindan and Mr. ZHANG Zhiyong.