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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 2014**

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 2014 together with comparative figures for the corresponding period in 2013, are as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
	RMB '000	RMB '000
	(unaudited)	(unaudited)
Revenue	1,240,905	1,113,984
Gross profit	781,297	693,019
Profit before tax	140,674	162,762
Income tax expense	(40,663)	(42,421)
Net profit for the year	97,800	121,426
	%	%
Gross profit margin	63.0	62.2
Operating profit margin	11.3	14.6
Net profit margin	7.9	10.9
Earnings per share		
– Basic (RMB cents)	4.89	6.07
– Diluted (RMB cents)	4.89	5.85

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>NOTES</i>	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	1,240,905	1,113,984
Cost of sales		(459,608)	(420,965)
		<hr/>	<hr/>
Gross profit		781,297	693,019
Other income and expenses and other gains and losses	4	53,042	40,075
Distribution and selling expenses		(643,218)	(516,898)
Administrative and general expenses		(40,090)	(45,539)
Finance costs		(9,523)	(7,181)
Share of losses of joint ventures		(834)	(714)
		<hr/>	<hr/>
Profit before tax	5	140,674	162,762
Income tax expense	6	(40,663)	(42,421)
		<hr/>	<hr/>
Net profit for the period		100,011	120,341
		<hr/>	<hr/>
Net profit and total comprehensive income for the period attributable to			
Owners of the Company		97,800	121,426
Non-controlling interests		2,211	(1,085)
		<hr/>	<hr/>
		100,011	120,341
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
– Basic (RMB cents)	8	4.89	6.07
		<hr/> <hr/>	<hr/> <hr/>
– Diluted (RMB cents)	8	4.89	5.85
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2014	At 31 December 2013
<i>NOTES</i>		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current assets			
Property, plant and equipment		195,111	186,254
Prepaid lease payments		14,388	14,579
Intangible assets		3,500	2,992
Prepayments for intangible assets		6,362	6,362
Goodwill		5,725	5,725
Interest in joint ventures		5,086	4,706
Interest in associates	10	26,924	–
Held-to-maturity investments	11	17,099	17,157
Deferred tax assets		43,289	36,910
Long-term deposit		19,881	16,074
Other deferred assets		1,189	–
		338,554	290,759
Current assets			
Inventories		729,776	622,946
Trade receivables	9	361,743	397,662
Other receivables and prepayments		93,228	100,291
Held-to-maturity investments		23,801	29,787
Other financial assets	12	177,710	331,753
Bank balances and cash		445,779	598,659
		1,832,037	2,081,098
Current liabilities			
Trade payables	13	206,754	113,115
Other payables		203,910	180,662
Income tax liabilities		22,074	30,451
Borrowings	14	150,000	–
Deferred revenue		5,328	2,838
		588,066	327,066

		At 30 June 2014	At 31 December 2013
	<i>NOTES</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Net current assets		<u>1,243,971</u>	<u>1,754,032</u>
Total assets less current liabilities		<u>1,582,525</u>	<u>2,044,791</u>
Non-current liability			
Deferred tax liabilities		1,559	24,393
Convertible bonds	15	154,945	146,985
Derivative financial instruments	15	<u>24,330</u>	<u>26,545</u>
		<u>180,834</u>	<u>197,923</u>
		<u>1,401,691</u>	<u>1,846,868</u>
Capital and reserves			
Share capital		202,087	202,087
Reserves		<u>1,141,892</u>	<u>1,589,280</u>
Total equity attributable to owners of the Company		<u>1,343,979</u>	<u>1,791,367</u>
Non-controlling interests		<u>57,712</u>	<u>55,501</u>
		<u>1,401,691</u>	<u>1,846,868</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Company							
	Share capital	Share premium	PRC statutory reserve	Convertible Bonds Equity reserve	Accumulated profits	Sub-total	Non-controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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 (<i>Note 7</i>)	-	-	-	-	(88,000)	(88,000)	-	(88,000)
Dividend recognised as distribution to convertible bond holders (<i>Note 7</i>)	-	-	-	-	(4,263)	(4,263)	-	(4,263)
Transfer on disposal of a subsidiary	-	-	(814)	-	814	-	-	-
	<u>202,087</u>	<u>480,964</u>	<u>138,178</u>	<u>25,427</u>	<u>834,799</u>	<u>1,681,455</u>	<u>52,230</u>	<u>1,733,685</u>
At 30 June 2013 (unaudited)								
At 1 January 2014 (audited)	202,087	480,964	172,741	25,427	910,148	1,791,367	55,501	1,846,868
Net profit and total comprehensive income for the period	-	-	-	-	97,800	97,800	2,211	100,011
Dividend recognised as distribution to shareholders (<i>Note 7</i>)	-	-	-	-	(520,000)	(520,000)	-	(520,000)
Dividend recognised as distribution to convertible bond holders (<i>Note 7</i>)	-	-	-	-	(25,188)	(25,188)	-	(25,188)
	<u>202,087</u>	<u>480,964</u>	<u>172,741</u>	<u>25,427</u>	<u>462,760</u>	<u>1,343,979</u>	<u>57,712</u>	<u>1,401,691</u>
At 30 June 2014 (unaudited)								

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on the Hong Kong Stock Exchange 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 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, certain new or revised International Financial Reporting Standards ("IFRSs") 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 is 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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale		
– external sales	1,131,743	1,032,162
Contract manufacturing		
– external sales	109,162	81,822
– inter-segment sales	1,398	12,385
	<hr/>	<hr/>
Segment revenue	1,242,303	1,126,369
Eliminations	(1,398)	(12,385)
	<hr/>	<hr/>
	1,240,905	1,113,984

	Six months ended 30 June	
	2014	2013
	RMB '000	RMB '000
	(unaudited)	(unaudited)
Segment results		
Retail and wholesale	145,217	157,400
Contract manufacturing	2,484	6,052
	<u>147,701</u>	<u>163,452</u>
Investment income from held-to-maturity investments	1,115	1,322
Gain from changes in fair value of derivative financial instruments	2,215	5,883
Finance costs	(9,523)	(7,181)
Share of losses of joint ventures	(834)	(714)
	<u>140,674</u>	<u>162,762</u>
Profit before tax	140,674	162,762
Income tax expense	(40,663)	(42,421)
	<u>100,011</u>	<u>120,341</u>

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
	2014	2013
	RMB '000	RMB '000
	(unaudited)	(audited)
Segment assets		
Retail and wholesale	2,315,579	2,866,675
Contract manufacturing	330,446	656,620
	<u>2,646,025</u>	<u>3,523,295</u>
Total segment assets	2,646,025	3,523,295
Eliminations	(591,633)	(1,239,998)
Unallocated	116,199	88,560
	<u>2,170,591</u>	<u>2,371,857</u>
Total consolidated assets	<u>2,170,591</u>	<u>2,371,857</u>

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Other income and expenses		
Government grants (<i>note</i>)	35,355	12,526
Interest income on bank deposits	6,372	7,930
Interest income on other financial assets	7,145	7,675
Rental income	305	–
	<u>49,177</u>	<u>28,131</u>
Other gains and losses		
Investment income from held-to-maturity investments	1,115	1,322
Gain from changes in fair value of embedded derivative financial instruments	2,215	5,883
Gain on disposal of a subsidiary	–	2,711
Net foreign exchange (losses) gains	(530)	319
	<u>2,800</u>	<u>10,235</u>
Other expenses	<u>1,065</u>	<u>1,709</u>
	<u><u>53,042</u></u>	<u><u>40,075</u></u>

Note: 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.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Depreciation of property, plant and equipment	17,298	10,665
Amortisation of prepaid lease payments (included in administrative and general expenses)	191	191
Amortisation of intangible assets (included in administrative and general expenses)	418	389
Amortisation of other deferred assets (included in administrative and general expenses)	44	–
Total depreciation and amortisation	<u>17,951</u>	<u>11,245</u>
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	<u>459,608</u>	<u>420,965</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Current tax:		
People's Republic of China (the "PRC" or "China")		
Enterprise Income Tax ("EIT")	44,442	44,962
Hong Kong profits tax	–	2,068
Withholding tax	24,865	5,901
Under provision of EIT in prior years	569	281
Deferred tax credit		
Current period	<u>(29,213)</u>	<u>(10,791)</u>
	<u>40,663</u>	<u>42,421</u>

7. DIVIDENDS

	Six months ended 30 June	
	2014 <i>RMB'000</i> (unaudited)	2013 <i>RMB'000</i> (unaudited)
Dividends recognised as distribution during the period:		
To ordinary shareholders:		
Special dividend of RMB0.23 per share	460,000	–
Final dividend for the year ended 31 December 2013 of RMB0.03 (for the year ended 31 December 2012: RMB0.044) per share	<u>60,000</u>	<u>88,000</u>
	<u>520,000</u>	<u>88,000</u>
To convertible bondholders:		
Special dividend of RMB0.23 per share	22,281	–
Final dividend for the year ended 31 December 2013 of RMB0.03 (for the year ended 31 December 2012: RMB0.044) per share	<u>2,907</u>	<u>4,263</u>
	<u>25,188</u>	<u>4,263</u>
	<u>545,188</u>	<u>92,263</u>

During the current interim period, a special dividend to ordinary shareholders of RMB0.23 per share amounting to RMB460,000,000 in aggregate was proposed and paid. Also, a special dividend to convertible bondholders of RMB0.23 per share amounting to RMB22,281,000 in aggregate was paid.

During the current interim period, a final dividend to ordinary shareholders of RMB0.03 per share in respect of the year ended 31 December 2013 amounting to RMB60,000,000 in aggregate was proposed and approved by shareholders of the Company. Also, a final dividend to convertible bondholders of RMB0.03 per share amounting to RMB2,907,000 in aggregate was distributed.

The Directors did not declare an interim dividend for the six months ended 30 June 2014 (30 June 2013: nil).

For the six months ended 30 June 2013, 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 of the Company. Also, a final dividend to convertible bondholders of RMB0.044 per share amounting to RMB4,263,000 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	
	2014	2013
	(unaudited)	(unaudited)
Earnings (RMB'000)		
Earnings for the purposes of basic earnings per share (profit for the year attributable to equity holders of the Company)	97,800	121,426
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments embedded in convertible bonds	N/A	(5,883)
Effective interest expense on convertible bonds	N/A	7,181
	<u>97,800</u>	<u>122,724</u>
Earnings for the purposes of diluted earnings per share	97,800	122,724
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	N/A	96,875
	<u>2,000,000</u>	<u>2,096,875</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,000,000	2,096,875
Earnings per share (RMB cents)		
– Basic	4.89	6.07
– Diluted	4.89	5.85

For the current interim period, the computation of diluted earning per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earning per share.

9. TRADE RECEIVABLES

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.

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
0 to 60 days	297,449	322,531
61 to 180 days	47,187	55,234
181 days to 1 year	16,585	12,337
Over 1 year	522	7,560
	361,743	397,662

10. INTEREST IN ASSOCIATES

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Cost of unlisted investments in associates	26,924	–
Share of post-acquisition losses	–	–
	26,924	–

During the current interim period, the Group subscribed 16,667 shares of United Nude International Limited (“UN International”) at United States Dollar (“USD”) 258 each, representing an aggregate of USD4,300,000 (equivalent to approximately RMB26,924,000) or a 25% equity interest in UN International. UN International is a company incorporated in British Virgin Islands in 2008. UN International is a branded shoes supplier and is also engaged in trading of branded shoes. During the current interim period, share of result of the associate is insignificant.

11. HELD-TO-MATURITY INVESTMENTS

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Debt securities		
Current portion	23,801	29,787
Non-current portion	17,099	17,157
	<u>40,900</u>	<u>46,944</u>

As at 30 June 2014, the 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 subsidiaries of state-owned enterprises in the PRC, carrying fixed interest rates at 2.95%-11.25% (at 31 December 2013: 1.85%-11.25%) per annum, and will mature from 1 August 2014 to 25 April 2016. All of the companies and banks are with good credit quality. None of these assets has been past due or impaired at the end of the reporting period.

12. OTHER FINANCIAL ASSETS

As at 30 June 2014, other financial assets represent foreign currency or interest rate linked other financial assets (“OFAs”) placed by the Group to a number of banks or the Group’s investments in other restricted low risk debt instruments arranged by banks for terms within one year. Pursuant to the relevant underlying agreements, the OFAs carry interest at variable rates from 3.7% to 5.95% (31 December 2013: 2.2% to 6.5%) 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.

As at 30 June 2014, included in other financial assets is an amount of RMB150,000,000 (at 31 December 2013: nil) which has been pledged to secure the borrowings of RMB150,000,000 granted to the Group.

13. 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 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
0 to 90 days	196,504	94,852
91 to 180 days	8,049	18,024
181 to 1 year	1,878	193
Over 1 year	323	46
	<u>206,754</u>	<u>113,115</u>

14. BORROWINGS

	At 30 June 2014 <i>RMB'000</i> (unaudited)	At 31 December 2013 <i>RMB'000</i> (audited)
Short-term bank loan	<u>150,000</u>	<u>–</u>
Secured	<u>150,000</u>	<u>–</u>

During the current interim period, the Company obtained a new bank loan amounting to RMB150,000,000 (31 December 2013: nil). The loan carries interest at fixed market rate of 3.95% (at 31 December 2013: nil) and is repayable in instalments over a period of 1 year.

15. 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 are not related to the Group (the “Bondholders”). The principal terms of the Bonds are set out in the annual report of the Company for the year ended 31 December 2013.

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 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:

	30 June 2014	31 December 2013
Risk-free interest rate	0.357%	0.482%
Discount rate	6.0%	6.9%
Dividend yield	1.46%	2.12%
Volatility of the Company's share price (with references to historical volatility of the Company)	31.36%	32.96%
The Company's share price on valuation date		
Conversion Price	HK\$2.57	HK\$2.66

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 (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
Effective interest expense charged during the year	7,182	–	–	7,182
Changes on fair value	–	(203)	–	(203)
At 31 December 2013 (audited)	146,985	26,545	25,427	198,957
Effective interest expense charged during the year	7,960	–	–	7,960
Changes on fair value	–	(2,215)	–	(2,215)
At 30 June 2014 (unaudited)	<u>154,945</u>	<u>24,330</u>	<u>25,427</u>	<u>204,702</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2014, the global economy has shown sign of recovery, and in particular, developed countries such as the U.S., Europe and Japan have achieved promising economic performance and continued to show positive growth momentum. However, developing countries were lagging behind in the current recovery. Among which, China has entered into a phase of decelerated growth in order to push for a deeper structural reform, which inevitably slows down the retail market. The Group continued to face headwinds in the retail sector.

Hampered by the structural reform, fierce competition from e-commerce and the lack of brand building efforts, the main footwear brands in China underperformed in the first half of 2014. Although there are favorable factors for the long-term growth of the female footwear market, in particular for the middle- and high-end brands and products, which include the stable economic development, the rapid pace of urbanization and the growing middle-class consumers, the current business environment of the industry remains challenging. This is well reflected by the overall sluggish growth of leading female footwear brands in China. In order to stay competitive in the tough business environment, most leading brands have adjusted their strategies of development in line with market changes by closing laggard stores, extending footprint to second- or third- tier cities, cranking up online sales and marketing, further promoting brand image and tightening cost control.

In order to navigate through the stagnant market environment, the Group has also endeavored to develop the online business in a proactive manner as part of its O2O (online to offline) strategy, ramped up the marketing of products and brands, implemented multi-faceted and comprehensive marketing strategies to build up brand image, expand the sales network of new brands and new licensed brand stores with outstanding performance, shut down some underperforming outlets to boost the overall profit, optimize the business layout of proprietary outlets, enhance operating efficiency and implement better cost control. Due to these measures and the hard work of staff and colleagues, the Group still managed to generate satisfactory results amid the challenging operating environment.

During the period under review, the Group has embarked on a range of strategies to deliver fruitful rewards to our shareholders.

Continuous Pursuit of Diversified Portfolio

In 2014, the Group continued to uphold a diversified brand strategy, which is reflected in our two-pronged tactic on new and existing brands. With regard to the development of new brands, the Group meticulously included trendy and exciting additions to our portfolio in line with market demand and trend. The Group opened up stores of new agent brands at a faster pace with a view to realizing our strategic layout of new brands across the country, while strenuous efforts were made in the marketing of new brands in order to enhance brand recognition and promote sales. With respect to existing brands, the Group focused on closing underperforming outlets to improve the overall performance of our stores. Besides, the Group continued to solidify our brand image with superior product design and elevated customers' experience through excellent product quality.

Extensive Retail Network

The Group's extensive retail network covers the majority of first, second and third-tier cities with promising sales prospects. The Group's self-developed and licensed brands are primarily distributed through a far-reaching network of proprietary retail outlets in department stores. It also wholesales its self-developed brands through authorized distributors.

During the period under review, the Group saw a net reduction of proprietary retail outlets and a net reduction of third-party retail outlets. Meanwhile, the Group added agent brands retail outlets during the period under review. As of 30 June 2014, the Group oversaw a network of 1,665 proprietary retail outlets and 552 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

Impacted by the challenging market environment, same store sales decreased for the first half of 2014, representing an decrease of 5.5% as compared to the same period last year.

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

Distribution Regions	C.banner		EBLAN		sundance		MIO		Licensed Brands	Total
	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	
Northeast	103	29	63	11	24	1	11	8	21	271
Beijing	44	18	22	2	14	-	-	7	13	120
Tianjin	71	77	39	17	16	1	4	9	28	262
Northwest	71	101	39	40	8	2	-	49	14	324
Central China	46	25	9	8	3	-	-	8	10	109
Eastern China	166	47	107	14	47	1	16	-	51	449
Zhejiang	86	15	36	2	9	-	3	-	30	181
Shanghai	60	-	23	-	6	-	-	-	24	113
Southwest	91	18	20	4	10	-	-	3	31	177
Southern China	99	29	27	6	6	-	4	-	40	211
Total	837	359	385	104	143	5	38	84	262	2,217

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.

Hybrid Marketing Strategy

The Group adopts a marketing strategy that encompasses virtual and real world campaigns. Riding on the growing popularity of online shopping, the Group actively developed its online business, which includes identifying third party partners to create online platform for the sale of its products with an aim of further expanding its customer base as well as distribution and network. In addition, the Group fully leverages new media to expand our reach to customers and drives consumer interaction in order to seize the business opportunities of the emerging markets. In the physical world, the Group has performed facelift to stores in order to enhance brand promotion and construction, which in turn enhance our competitive strength.

Research and Design Tailored for Customers

The Group adheres to the philosophy of “customer comes first” in determining the direction of its research and design. Professional research and development staff were led by management with layers of experience and knowledge in the mid-to-premium women’s formal and casual footwear market. With the Group’s well-structured training programs and investment made in maintaining separate design teams for each of the self-developed brands throughout the period under review, the design of each brand’s products were infused with distinctive, trendy and eye-catching appeal.

Top Product Quality Guaranteed by a Successful Integrated Business Model

The Group operates under a vertically integrated business model, which covers the key stage of the value chain. In terms of design, the Group had established a research and development Centre in Foshan, Guangdong province, to carry out systematic research, design and development pinpointing at mid-to-premium footwear market, which is key to the Group's continuous efforts in supplying a wide range of women's footwear with comfortable and fashionable design.

With respect to manufacturing, the Group had set up manufacturing facilities in Nanjing, Dongguan and Suining with a total annual production capacity of 7.2 million pairs of shoes. In order to better meet market needs and offer more flexibility, the Group also outsourced the production of certain products.

The Group carried out a range of marketing activities through its VIP membership program, department store sales, seasonal promotions and promotional activities, outdoor advertising, product catalogs and brochures and other activities. During the period under review, the Group had seen a significant rise in membership of our VIP program. As of 30 June 2014, the VIP customer base had grown to 700,000 people. The Group also leveraged on the growing influence of internet and promoted our brands and products through online platform. Besides, the Group attached great importance to customer services and provides before-sales, during-sales and after-sales services to customers directly, which ensured high level of interaction with our customers.

Information System

To provide strong support for the development of online business, the Group had completed the upgrade of its information system. The upgraded system will enhance the coordination between the Group's online and offline systems on the technical front, and get itself well prepared for the online and offline integration in the areas of inventory and logistics, etc.

Financial Review

For the six months ended 30 June 2014, the Group's total revenue increased 11.4% to RMB1,240.9 million as compared to the same period of last year. Operating profit decreased 13.6% to RMB140.7 million for the period under review. Profit attributable to owners of the Company dropped 19.5% to RMB97.8 million as compared to the same period of last year.

Revenue

For the six months ended 30 June 2014, the Group's total revenue increased 11.4% to RMB1,240.9 million, compared to RMB1,114.0 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 increased 33.4% during the first half of 2014 mainly due to the increasing orders and production capacity of Contract manufacturing.

Revenue distribution is as follows:

	For the six months ended 30 June				
	2014		2013		% of Growth
	RMB ('000)	% of Total Revenue	RMB ('000)	% of Total Revenue	
Retail and wholesale	<u>1,131,743</u>	<u>91.2</u>	<u>1,032,162</u>	<u>92.7</u>	<u>9.6</u>
Contract manufacturing	<u>109,162</u>	<u>8.8</u>	<u>81,822</u>	<u>7.3</u>	<u>33.4</u>
Total	<u>1,240,905</u>	<u>100.0</u>	<u>1,113,984</u>	<u>100.0</u>	<u>11.4</u>

Profitability

For the six months ended 30 June 2014, the Group's gross profit increased 12.7% to RMB781.3 million, an increase of RMB88.3 million from RMB693.0 million in the same period of last year. As of 30 June 2014, the gross profit margin was 63.0%, a slight increase of 0.8% from 62.2% in the same period of last year.

For the six months ended 30 June 2014, distribution and selling expenses reached RMB643.2 million, an increase of RMB126.3 million or 24.4% from the same period of last year, which was primarily attributed to advertising and marketing expenses, department store commissions and higher salary and commissions for salespersons. Distribution and selling expenses accounted for 51.8% of total revenue, compared to 46.4% in the same period of last year.

For the six months ended 30 June 2014, administrative and general expenses amounted to RMB40.1 million, a decrease of RMB5.4 million or 12.0% from the same period of last year. This decrease is mostly attributable to the further strengthening of daily expenses management during the period under review. Administrative and general expenses accounted for 3.2% of the total revenue, compared to 4.1% in the same period of last year.

For the six months ended 30 June 2014, other income and expenses and other gains and losses recorded a gain of RMB53.0 million, compared to a net gain of RMB40.1 million in the same period of last year. The main sources of other income include government grants, interest income on bank deposits, and interest income on other financial assets.

For the six months ended 30 June 2014, the Group recorded finance costs of RMB9.5 million, compared to RMB7.2 million in the same period of last year.

For the six months ended 30 June 2014, income tax expense fell by approximately RMB1.7 million to RMB40.7 million, a decline of 4.1%, compared to RMB42.4 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 28.9%, an increase of 2.8 percentage points from 26.1% in the same period of last year.

For the six months ended 30 June 2014, profit attributable to owners of the Company dropped 19.5% to RMB97.8 million, a decrease of RMB23.6 million from RMB121.4 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2014, the Group had bank balances and cash of RMB445.8 million (31 December 2013: RMB598.7 million).

For the six months ended 30 June 2014, net cash from operating activities was RMB59.9 million, a decrease of RMB63.7 million as compared to RMB123.6 million in the same period of last year.

For the six months ended 30 June 2014, net cash from investing activities was RMB119.5 million, compared to a net cash outflows of RMB202.7 million from investing activities during the same period of last year. The inflow was primarily related to the investment in other financial assets of RMB832.0 million and payment for acquisition of fixed assets of RMB28.9 million, which was partially offset by redemption of investment in other financial assets of RMB987.0 million and cash inflow from other investing activities.

For the six months ended 30 June 2014, net cash outflows from financing activities was RMB332.3 million, while there was no net cash inflow from financing activities in the same period of last year.

As of 30 June 2014, the net current assets of the Group were RMB1,244.0 million, compared to RMB1,754.0 million as of 31 December 2013, the net decrease was RMB510.0 million or 29.1%.

Pledge of Asset

As of 30 June 2014, the Group had short-term bank loans in the amount of RMB150.0 million. As of the same date, it had pledged financial asset in the amount of RMB150.0 million. As of 31 December 2013, the Group had no pledge of asset.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2014.

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 8.8% of total revenue, the Board does not expect any significant impact on the Group's business arising from exchange rate fluctuations. However, the Board will closely monitor the effects of the exchange rate on the Contract manufacturing business and take necessary measures to mitigate the impact.

For the six months ended 30 June 2014, the Group recorded a RMB530,124.0 loss from currency exchange, compared to a RMB319,415.0 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 2014, the Group had 12,088 employees (31 December 2013: 12,222 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 on the basis of business performance and their individual work performance.

Outlook

The global economy is on the track of recovery, spurred by several rounds of quantitative easing, the U.S. economy is showing hopeful signs of rebound, while the European debt crisis has finally ebbed. The upturn of the developed economies is expected to trigger the rebound of other countries and increase the export demand of developing countries. There are different factors behind the decelerated growth of emerging economies, the one behind China, which is to slow down the economy to push for deeper structural reform, in fact bodes well for the long term development of the Group. As China continued to transit into a more consumption-oriented economy, the Group is likely to benefit from rising consumption and achieve business growth.

In addition, with the continuous progress of urbanization and increasing living standard in China, consumers will be more aware of the brand and quality of products, which will provide great room for development for the mid-to-premium women's formal and casual footwear market. While the Group has proactively adjusted its development strategy to embrace the internet for marketing purpose, it does not expect the bricks-and-mortar stores to be totally replaced by online shops and this is especially the case for mid-to-premium brands for which customers would expect more personal and humanized services.

In the future, the Group will continuously upgrade the design and quality of products, allocate more resources on brand promotion and brand building in order to strengthen our competitive edge. The Group will take a proactive stance in establishing a strong union of online and offline businesses, which will improve its sales performance and increase its brand awareness among customers. In terms of geographical coverage, the Group will grasp the development opportunities offered by second- and third-tier emerging markets to further expand to new markets. With a view to elevating the overall profit level, stores underperforming will be eliminated.

The Group has mapped out the future strategies to pursuit sustainable and long-term growth. With respect to brand portfolio, the Group will closely monitor the market needs to further adjust and optimize the product mix. Apart from consolidating and developing newly acquired brands, the Group will also actively develop existing brands which are well received by the market, such as C.banner and EBLAN. Through internal research efforts and cooperation with other brand owners, the Group's brand portfolio will be further enriched to cater to the diversified demand of customers.

With regard to network expansion, besides leveraging on the growing influence of internet, the Group will selectively open up new proprietary outlets and develop more third-party outlets. The Group will carry out marketing activities in a more precise manner to effectively reach our targeted customers. In terms of operation capacity, the Group will optimize store portfolio to improve single-store sales performance as well as strengthening its control on supply chain to enhance operation efficiency. The Group will make acquisitions in a selective and prudent manner to achieve synergy, increase competitiveness and elevate market position. With the gradual recovery of the global economy and the growth momentum provided by these strategies, the Group remains positive on its outlook moving forward.

INTERIM DIVIDENDS

The Directors did not declare an interim dividend for the six months ended 30 June 2014 (30 June 2013: 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 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 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 Listing Rules for the six months ended 30 June 2014. 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 was 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 were not independent non-executive Directors as required under code provision A.5.1 of the CG Code. Mr. Zheng Hongliang was appointed as an independent non-executive Director and a member of each of the audit committee, the nomination committee and the remuneration committee of the Company with effect from 23 April 2014 to comply with Rule 3.10A of the Listing Rules and code provision A.5.1 of the CG Code accordingly.

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

For the six months ended 30 June 2014, 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 2014.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2014 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 2014 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, 29 August 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, Mr. ZHANG Zhiyong and Mr. ZHENG Hongliang.