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 2012

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of C.banner International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2012, together with comparative figures for the corresponding period in 2011, as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Revenue	**1,130,380**	928,000
Gross profit	**705,765**	578,137
Operating profit	**189,878**	180,533
Income tax expense	**(43,961)**	(49,886)
Net profit attributable to equity holders of the Company	**140,041**	130,647
	%	*%*
Gross profit margin	**62.4**	62.3
Operating profit margin	**16.8**	19.5
Net profit margin	**12.4**	14.1
	RMB cents	*RMB cents*
Earnings per share		
– Basic	**7.00**	7.69
– Diluted	**6.97**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,130,380**	928,000
Cost of sales		**(424,615)**	(349,863)
Gross profit		**705,765**	578,137
Other income and expenses, other gains and losses	*4*	**19,061**	(943)
Distribution and selling expenses		**(478,470)**	(359,673)
Administrative and general expenses		**(55,220)**	(35,108)
Finance costs		**–**	(980)
Share of losses of joint ventures		**(1,258)**	(900)
Profit before tax	*5*	**189,878**	180,533
Income tax expense	*6*	**(43,961)**	(49,886)
Net profit for the period		**145,917**	130,647
Net profit and total comprehensive income for the period attributable to owners of the Company		**140,041**	130,647
Non-controlling interests		**5,876**	–
		145,917	130,647
		RMB cents	*RMB cents*
Earnings per share			
– Basic	*8*	**7.00**	7.69
– Diluted	*8*	**6.97**	–

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	At 30 June 2012 RMB'000 (unaudited)	At 31 December 2011 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**123,736**	109,899
Prepaid lease payments		**15,111**	15,302
Investment properties		**46,000**	46,000
Intangible assets		**2,292**	2,190
Interest in joint ventures		**5,648**	6,994
Goodwill		**5,725**	–
Deferred tax assets		**18,827**	17,256
Long-term deposit		**9,302**	9,464
		226,641	207,105
Current assets			
Inventories		**567,391**	561,840
Trade receivables	*9*	**291,435**	243,555
Other receivables and prepayments		**42,658**	57,330
Available-for-sale investments	*10*	–	75,611
Structured bank deposits	*11*	**150,200**	67,000
Pledged bank deposits		**5,453**	14,589
Bank balances and cash		**785,206**	503,997
		1,842,343	1,523,922
Current liabilities			
Trade payables	*12*	**110,622**	133,947
Other payables		**208,521**	114,446
Income tax liabilities		**32,431**	56,616
Deferred revenue		**17,798**	12,672
		369,372	317,681
Net current assets		**1,472,971**	1,206,241
Total assets less current liabilities		**1,699,612**	1,413,346
Non-current liabilities			
Deferred tax liabilities		**7,827**	9,836
Convertible bonds	*13*	**113,903**	–
Derivative financial instruments	*13*	**34,116**	–
		155,846	9,836
		1,543,766	1,403,510
Capital and reserves			
Share capital		**202,087**	202,087
Reserves		**1,292,303**	1,201,423
Total equity attributable to owners of the Company		**1,494,390**	1,403,510
Minority interests		**49,376**	–
		1,543,766	1,403,510

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Equity attributable to owners of the Company								
	Share capital	**Share premium**	**PRC statutory reserve**	**Investment revaluation reserve**	**Convertible bonds equity reserve**	**Accumulated profits**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011 (audited)	49,271	98,093	83,639	–	–	411,083	642,086	–	642,086
Net profit and total comprehensive income for the period	–	–	–	–	–	130,647	130,647	–	130,647
Dividend paid (Note 7)	–	–	–	–	–	(64,441)	(64,441)	–	(64,441)
At 30 June 2011 (unaudited)	49,271	98,093	83,639	–	–	477,289	708,292	–	708,292
At 1 January 2012 (audited)	202,087	480,964	108,129	–	–	612,330	1,403,510	–	1,403,510
Acquisition of a subsidiary	–	–	–	–	–	–	–	43,500	43,500
Net profit and total comprehensive income for the period	–	–	–	–	–	140,041	140,041	5,876	145,917
Gain on fair value changes of available-for-sale investments	–	–	–	605	–	–		–	605
Reclassified to profit or loss on disposal of available-for-sale investments	–	–	–	(605)	–	–		–	(605)
Recognition of equity component of convertible bonds *(Note 13)*	–	–	–	–	41,005	–	41,005	–	41,005
Dividend recognised as distribution to shareholders *(Note 7)*	–	–	–	–	–	(86,000)	(86,000)	–	(86,000)
Dividend recognised as distribution to convertible bond holders *(Note 7)*	–	–	–	–	–	(4,166)	(4,166)	–	(4,166)
At 30 June 2012 (unaudited)	202,087	480,964	108,129	–	41,005	662,205	1,494,390	49,376	1,543,766

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

1. GENERAL AND BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange 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 properties and derivative instrument that are measured at fair value.

Except for the accounting policy of convertible bonds which are new instruments issued during the current period set out below, the other accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2011.

(1) Convertible bonds

Convertible bonds issued by the Company contain liability component, redemption premium derivative component and conversion component are classified into respective items on initial recognition. Conversion component that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as equity instrument. Redemption premium derivative component not closely related to the host debt contract is classified as a derivative on initial recognition. At the date of issue, both the liability component and redemption premium derivative component are recognised at fair value.

The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component and redemption premium derivative component, representing the conversion component for the holder to convert the bonds into equity, is included in equity (convertible bonds equity reserve).

In subsequent periods, the liability component is carried at amortised cost using the effective interest method, and the redemption premium derivative component is measured at fair value with changes in fair value recognised in profit or loss. The interest charged on the liability component is calculated by applying the original effective interest rate.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds equity reserve will be released to the accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability component, redemption premium derivative component and conversion component in proportion to their relative fair values. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method. Transaction costs relating to the redemption premium derivative component is charged to profit or loss immediately. Transaction costs relating to the conversion component are included in convertible bonds equity reserve.

In the current interim period, the Group has applied, for the first time, certain amendments to International Financial Reporting Standards issued by International Accounting Standards Board:

Amendments to IAS 12 Deferred Tax: *Recovery of Underlying Assets*

Under the amendments to IAS 12 *Recovery of Underlying Assets*, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Properties* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures it investment properties using the fair value model. As a result of the application of the amendments to IAS 12, the directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to IAS 12 is rebutted. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. As a result, the application of the amendments to IAS 12 in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale		
– external sales	**1,031,973**	817,656
Contract manufacturing		
– external sales	**98,407**	110,344
– inter-segment sales	**–**	2,948
Segment revenue	**1,130,380**	930,948
Eliminations	**–**	(2,948)
	1,130,380	928,000
Segment results		
Retail and wholesale	**186,930**	172,114
Contract manufacturing	**4,206**	10,299
	191,136	182,413
Unallocated finance costs	**–**	(980)
Share of losses of joint ventures	**(1,258)**	(900)
Profit before tax	**189,878**	180,533

Inter-segment sales are charged at prevailing market prices.

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Segment assets		
Retail and wholesale	**1,989,028**	1,638,093
Contract manufacturing	**456,557**	213,261
Total segment assets	**2,445,585**	1,851,354
Eliminations	**(387,974)**	(127,321)
Unallocated	**11,373**	6,994
Total consolidated assets	**2,068,984**	1,731,027

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants *(Note 1)*	**11,084**	7,934
Interest income on bank deposits	**4,965**	851
Investment income	**605**	–
Rental income	**474**	–
Legal and professional fees *(Note 2)*	**–**	(9,961)
Net foreign exchange gains	**717**	78
Others	**1,216**	155
	19,061	(943)

Note 1: The amount mainly represented the local tax refund received from the local governments where the Group entities were located.

Note 2: The amount mainly represented the legal, professional and related expenses incurred for the application of the listing of the Company's shares on the Hong Kong Stock Exchange.

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**10,511**	7,331
Amortisation of prepaid lease payments (included in administrative and general expenses)	**191**	191
Amortisation of intangible assets (included in administrative and general expenses)	**268**	200
Total depreciation and amortisation	**10,970**	7,722
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**424,615**	313,912

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
Enterprise income tax	**47,541**	50,526
Deferred tax credit		
Current period	**(3,580)**	(640)
	43,961	49,886

The Company together with certain subsidiaries of the Company incorporated in Bermuda, the British Virgin Islands are not subject to any income tax in their respective jurisdiction.

No provision for Hong Kong Profit Tax has been made for both periods as the subsidiaries of the Company incorporated in Hong Kong do not have significant assessable profit arising from Hong Kong.

Subsidiaries of the Company established in the People's Republic of China (the "PRC") are subject to PRC Enterprise Income Tax at a rate of 25% (six months ended 30 June 2011: 25%) pursuant to the relevant PRC Enterprise Income Tax laws.

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

7. DIVIDENDS

During the current interim period, a final dividend to shareholders of RMB0.043 per share in respect of the year ended 31 December 2011 amounting to RMB86,000,000 was proposed and approved by shareholders. A dividend to convertible bondholders of RMB0.043 per share in respect of the year ended 31 December 2011 amounting to RMB4,166,000 in aggregate was distributed. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

During the six months ended 30 June 2011, dividends of USD0.0247 per share amounting to USD9,801,000 (equivalent to RMB64,441,000) in aggregate was proposed and paid to shareholders.

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	
	2012	2011
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic earnings per share	**140,041**	130,647
Number of shares ('000)		
Number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	1,700,000
Effect of dilutive potential ordinary shares attributable to convertible bonds	**8,516**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,008,516**	1,700,000
Number of ordinary shares for the purpose of basic earnings per share	**2,008,516**	1,700,000
	RMB cents	*RMB cents*
Earnings per share		
– Basic	**7.00**	7.69
– Diluted	**6.97**	–

9. TRADE RECEIVABLES

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 60 days	**232,266**	237,283
61 to 180 days	**57,615**	5,664
181 days to 1 year	**1,546**	565
Over 1 year	**8**	43
	291,435	243,555

10. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Unlisted investment funds, at fair value	**–**	75,611

At 31 December 2011, the amount represented units in investment funds managed by an investment fund manager which invested solely in listed equity securities traded on stock exchanges in Hong Kong, Japan and Taiwan. The investment manager was obliged to purchase from the Group such investment units at the quoted price provided by the investment fund manager which was determined based on the net asset and total units of the investment funds. The fair value of the investment funds was based on unit price quoted by investment fund manager with reference to certain market value statements showing the net asset value of the investment funds as at 31 December 2011.

On 28 June 2012, the Company disposed of the investment fund in its entirety and a gain of RMB605,000 was recognised in other income and expenses, other gains and losses during the current interim period.

11. STRUCTURED BANK DEPOSITS

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Structured bank deposits	**150,200**	67,000

The amount represents two (31 December 2011: one) Australian Dollar ("AUD")/USD currency linked structured bank deposits ("CSBDs") placed by the Group to a bank (the "Bank") for a term of one year. Pursuant to the relevant underlying agreements , each of the CSBDs carry fixed interest rates at 3.2% or 5.8% per annum and 3.4% or 5.3% per annum, respectively (31 December 2011: 3.4% or 5.3% per annum), depending on the exchange rate fluctuation of AUD/USD during the investment period. The RMB denominated principals of CSBDs are guaranteed by the Bank.

12. TRADE PAYABLES

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

	30 June 2012	31 December 2011
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**110,564**	122,840
91 to 180 days	**26**	11,107
181 to 1 year	**32**	–
	110,622	133,947

13. 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 RMB189,024,450 (the "Bonds") to three independent third parties who are neither connected nor related to the Group (the "Bondholders").

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 13.5%. 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 both 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:

	15 June 2012	**30 June 2012**
Risk-free interest rate	0.359%	0.293%
Discount rate	13.5%	13.8%
Dividend yield	2.22%	2.19%
Volatility of the Company's share price (with references to historical volatility of the Company and comparable companies' share prices)	35%	35%
The Company's share price on valuation date	HK$2.36	HK$2.40

There were no significant movement of the liability component and the redemption premium derivative component since issuance of the Bonds. The details of different components of the Bonds as at the issuance date and the reporting date are set out as below:

	Liability component *RMB'000*	**Redemption premium derivative component** *RMB'000*	**Conversion component** *RMB'000*	**Total** *RMB'000*
Convertible bonds:				
At date of issuance and as at 30 June 2012	**113,903**	**34,116**	**41,005**	**189,024**

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group operates under a vertically integrated business model which includes the design and development, outsourcing, manufacturing, marketing, wholesaling and retailing of shoes. It is China's second largest retailer of middle to high-end formal and leisure women shoes (according to the 2011 Euromonitor Report), with an approximate 7.4% market share in 2011.

It also acts as an OEM or ODM manufacturer for international shoe companies operating in overseas markets.

The Group retails shoes under its self-developed C.banner, EBLAN, FABIOLA and sundance brands, as well as under the licensed naturalizer brand. The Group introduced a fifth self-developed brand MIO during the first half of the year.

The Group's self-developed and licensed brands are mainly distributed through department stores in China's first-to-third tier cities. It also wholesales its self-developed brands through authorized distributors.

As of 30 June 2012, the Group oversaw a network of 1,964 sales outlets, including 1,449 proprietary outlets and 515 third-party outlets. This included a net addition of 138 proprietary outlets and 78 third-party outlets during the interim period. Given the slowing growth of the Chinese economy, sales volumes during the period grew in line with expectations, with same-store sales growth reaching 6.4% during the first half of 2012.

The following table shows the geographic distribution of our stores:

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	naturalizer Proprietary outlets	Total
Northeast	88	34	67	15	31			10	10	255
Beijing	44	12	15	3	6			5	4	89
Tianjin	83	59	46	19	17			8	11	243
Northwest	60	69	41	28	11	1		24	1	235
Central China	46	24	20	8	13	1		4	1	117
Eastern China	139	46	104	22	36	1	5	5	24	382
Zhejiang	75	17	36		9		1	3	14	155
Shanghai	58		30		6					94
Southwest	93	26	36	4	10	1		9	3	182
Southern China	100	36	41	11	10	1		9	4	212
Total	786	323	436	110	149	5	6	77	72	1964

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.

The Group also attracted strategic investments from three leading private equity investors during the period, in recognition of the Group's impressive growth record. The three firms, China Consumer Capital Fund L.P., China Champion Holdings Limited and MousseDragon, L.P. have subscribed for a collective RMB189.0 million worth of convertible bonds issued by the Group.

The Group also took 51% stake in Mega Brilliant International Limited ("Mega Brilliant") during the period in order to continue the expansion of its women's footwear operations. Based in the Mainland China, Mega Brilliant engages in the design, outsourcing and sale of leather products and textiles.

Financial Review

For the six months ended 30 June 2012, the Group's total revenue rose 21.8% to RMB1,130.4 million compared to the same period of last year. Operating profit rose 5.2% to RMB189.9 million in the period under review. Profit attributable to owners of the company increased 7.2% to RMB140.0 million compared to the same period of last year.

Revenue

For the six months ended 30 June 2012, the Group's total revenue rose 21.8% to RMB1,130.4 million, compared to RMB928.0 million in the first half of last year.

The Group's revenue mix includes income from retail and wholesale operations and contract manufacturing. Revenue from the contract manufacturing business fell 10.8% during the first half of 2012 as the Group reallocated contract production lines to produce its own proprietary brands.

Revenue distribution is as follows:

	For the six months ended 30 June				
	2012		2011		
	RMB('000)	**% of Total Revenue**	*RMB('000)*	% of Total Revenue	**% Growth**
Retail and Wholesaling	**1,031,973**	**91.3**	817,656	88.1	26.2
Contract Manufacturing	**98,407**	**8.7**	110,344	11.9	-10.8
Total	**1,130,380**	**100.0**	928,000	100.0	21.8

Profitability

For the six months ended 30 June 2012, the Group's gross profit rose 22.1% to RMB705.8 million, an increase of RMB127.6 million from RMB578.1 million in the first half of last year. As of 30 June 2012, the gross profit margin was 62.4%, an increase of 0.1 percentage point from 62.3% in the corresponding period of last year.

For the six months ended 30 June 2012, distribution and selling expenses reached RMB478.5 million. This represented an increase of RMB118.8 million or 33.0% from the corresponding period of last year, which was primarily attributed to higher salary and commissions for salespersons, advertising and marketing expenses and department store commissions. As of 30 June 2012, distribution and selling expenses accounted for 42.3% of total revenue, compared to 38.8% in the corresponding period of last year.

For the six months ended 30 June 2012, administrative and general expenses reached RMB55.2 million, an increase of RMB20.1 million or 57.3% compared to the same period of last year. This increase is mostly attributable to higher salaries and benefits for management and executives, company legal fees and intermediary costs. As of 30 June 2012, administrative and general expenses accounted for 4.9% of the total revenue, compared to 3.8% in the same period of last year.

For the six months ended 30 June 2012, other income and expenses and other gains and losses recorded a net gain of RMB19.1 million, compared to a net loss of RMB943,000 in the same period of last year. The main source of other income was from government grants, interests income on deposits and gains from foreign exchange.

For the six months ended 30 June 2012, the Group recorded no finance costs, compared to corresponding period in 2011 where RMB980,000 were related to interest expenses for a USD9.8 million loan made on 9 March 2011.

For the six months ended 30 June 2012, income tax expense fell by RMB5.9 million to RMB44.0 million, a decline of 11.9%, compared to RMB49.9 million in the corresponding period of last year. This decline was mostly attributed to an increase in preferred tax credit. The effective income tax rate for the first half of 2012 was 23.2%, a fall of 4.4 percentage points from 27.6% in the same period of last year.

For the six months ended 30 June 2012, profit attributable to owners of the company rose 7.2% to RMB140.0 million, an increase of RMB9.4 million from RMB130.6 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2012, the Group had bank balances and cash of RMB785.2 million (31 December 2011: RMB504.0 million).

For the six months ended 30 June 2012, net cash from operating activities was RMB85.2 million, an increase of RMB6.3 million compared to RMB78.9 million in the same period of last year.

For the six months ended 30 June 2012, net cash inflows from investing activities was RMB7.0 million, compared to a net cash outflow of RMB5.0 million from investing activities during the same period of last year. The inflow was primarily related to the acquisition of a 51% stake in the Mega Brilliant and proceeds from the disposal of a professionally managed investment fund. The net inflow was partially offset by a RMB80 million investment in structured bank deposits.

For the six months ended 30 June 2012, net cash inflow from financing activities was RMB189 million from an issue of convertible bonds.

As of 30 June 2012, the net current assets of the Group were RMB1,473.0 million, compared to RMB1,206.2 million as of 31 December 2011. The net increase was RMB266.8 million or 22.1%.

Pledge of Asset

As of 30 June 2012, the Group had no short-term bank loans. As of the same date, it had pledged bank deposits of RMB5.5 million, compared to RMB14.6 million as of 31 December 2011.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2012.

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 8.7% of total revenue, the Board does not foresee exchange rate fluctuations having a substantial impact on the Group's business. However, the Board will closely monitor the effects of the exchange rate on the contract manufacturing business and mitigate the impact.

For the six month ended 30 June 2012, the Group recorded a RMB716,900 gain from currency exchange, compared to a RMB78,000 gain 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 30 June 2012, the Group had 11,531 employees (31 December 2011: 10,624 employees). The Group provides its employees with competitive remuneration packages including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees, according to business performance and their individual work performance.

Future Outlook

Despite uncertainties in the global and Chinese economies, the Group remains committed to further growing its market share in China, maintaining healthy sales levels and delivering satisfactory returns to its shareholders.

It will continue to pursue a multi-brand strategy during the rest of the year, while also enhancing the quality and efficiency of its outlets and raising the standard of its products.

The Group will further grow the value of each of its brands by opening new stores and expanding their online presence. It plans to open around 100 proprietary outlets and around 50 third-party retail outlets in the second half of 2012, while continuing to work with third-party providers to create an online platform to sell its products.

The Group plans to better manage its inventory level in order to improve efficiency and reduce the number of inventory turnover days to a reasonable level.

On the manufacturing side, the Group will continue to scale back its OEM business during the rest of the year in order to allocate more capacity for its proprietary products. It also aims to increase the number of production lines to 16, growing the Group's total manufacturing capacity to 7.2 million pairs of shoes by the end of 2012.

The Group will also proactively consider selective acquisitions or other forms of co-operation in order to further expand its brand portfolio and market share.

INTERIM DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012.

During the six months ended 30 June 2011, total dividends of USD0.0247 per share amounting to USD9,801,000 (equivalent to RMB64,441,000) was proposed and paid to shareholders.

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 on the Hong Kong Stock Exchange (the "Listing Rules") as its own code of conduct regarding directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code throughout the period for the six months ended 30 June 2012.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has complied with all applicable code provisions under the Code on Corporate Governance Practices (from 1 January 2012 to 31 March 2012) and Corporate Governance Code (from 1 April 2012 to 30 June 2012) (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2012. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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

For the six-month period ended 30 June 2012, 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 auditors the accounting principles and policies adopted by the Group and the unaudited interim results for the six months ended 30 June 2012.

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

PRC, 23 August 2012

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