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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 2015

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 2015 together with comparative figures for the corresponding period in 2014, are as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**1,416,161**	1,240,905
Gross profit	**888,809**	781,297
Profit before tax	**155,440**	140,674
Income tax expense	**(44,235)**	(40,663)
Net profit attributable to equity holders of the Company	**110,985**	97,800
	%	*%*
Gross profit margin	**62.8**	63.0
Operating profit margin	**11.0**	11.3
Net profit margin	**7.8**	7.9
Earnings per share		
– Basic (RMB cents)	**5.55**	4.89
– Diluted (RMB cents)	**5.31**	4.89

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months end 30 June 2015

		Six months ended 30 June	
		2015	2014
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**1,416,161**	1,240,905
Cost of sales		**(527,352)**	(459,608)
Gross profit		**888,809**	781,297
Other income and expenses and other gains and losses	*4*	**47,997**	53,042
Distribution and selling expenses		**(727,784)**	(643,218)
Administrative and general expenses		**(43,625)**	(40,090)
Finance costs		**(10,237)**	(9,523)
Share of loss of an associate		**(917)**	-
Share of profit (loss) of a joint venture		**1,197**	(834)
Profit before tax	*5*	**155,440**	140,674
Income tax expense	*6*	**(44,235)**	(40,663)
Net profit for the period		**111,205**	100,011
Net profit and total comprehensive income for the period attributable to			
Owners of the Company		**110,985**	97,800
Non-controlling interests		**220**	2,211
		111,205	100,011
Earnings per share			
– Basic (RMB cents)	*8*	**5.55**	4.89
– Diluted (RMB cents)	*8*	**5.31**	4.89

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**185,344**	193,044
Prepaid lease payments		**14,004**	14,196
Intangible assets		**4,209**	4,919
Prepayments for intangible assets		**6,362**	6,362
Goodwill		**5,725**	5,725
Interest in an associate		**25,774**	26,674
Interest in a joint venture		**7,158**	6,034
Held-to-maturity investments	*10*	**–**	3,065
Deferred tax assets		**65,247**	60,586
Long-term deposit		**21,465**	22,092
		335,288	342,697
Current assets			
Inventories		**828,040**	814,773
Trade receivables	*9*	**390,517**	392,823
Other receivables and prepayments		**109,661**	107,141
Held-to-maturity investments	*10*	**26,990**	23,989
Other financial assets	*11*	**109,282**	270,535
Bank balances and cash		**436,176**	350,120
		1,900,666	1,959,381
Current liabilities			
Trade payables	*12*	**167,309**	157,854
Other payables		**170,231**	218,736
Income tax liabilities		**27,184**	30,587
Borrowings	*13*	**–**	150,000
Deferred revenue		**28,962**	15,381
Convertible bonds	*14*	**171,725**	–
Derivative financial instruments	*14*	**8,028**	–
		573,439	572,558

	NOTES	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Net current assets		**1,327,227**	1,386,823
Total assets less current liabilities		**1,662,515**	1,729,520
Non-current liability			
Deferred tax liabilities		**2,566**	1,451
Convertible bonds	*14*	**–**	162,904
Derivative financial instruments	*14*	**–**	16,421
		2,566	180,776
Net assets		**1,659,949**	1,548,744
Capital and reserves			
Share capital		**202,087**	202,087
Reserves		**1,397,301**	1,286,316
Total equity attributable to owners of the Company		**1,599,388**	1,488,403
Non-controlling interests		**60,561**	60,341
		1,659,949	1,548,744

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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 *(Note 8)*	–	–	–	–	(520,000)	(520,000)	–	(520,000)
Dividend recognised as distribution to convertible bondholders *(Note 8)*	–	–	–	–	(25,188)	(25,188)	–	(25,188)
At 30 June 2014 (unaudited)	202,087	480,964	172,741	25,427	462,760	1,343,979	57,712	1,401,691
At 1 January 2015 (audited)	**202,087**	**480,964**	**203,827**	**25,427**	**576,098**	**1,488,403**	**60,341**	**1,548,744**
Net profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**110,985**	**110,985**	**220**	**111,205**
At 30 June 2015 (unaudited)	**202,087**	**480,964**	**203,827**	**25,427**	**687,083**	**1,599,388**	**60,561**	**1,659,949**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") 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 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014.

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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment revenue		
Retail and wholesale		
– external sales	**1,292,279**	1,131,743
Contract manufacturing		
– external sales	**123,882**	109,162
– inter-segment sales	**491**	1,398
Segment revenue	**1,416,652**	1,242,303
Eliminations	**(491)**	(1,398)
	1,416,161	1,240,905

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Segment results		
Retail and wholesale	**159,854**	145,217
Contract manufacturing	**(3,301)**	2,484
	156,553	147,701
Investment income from held-to-maturity investments	**451**	1,115
Gain from changes in fair value of derivative financial instruments	**8,393**	2,215
Finance costs	**(10,237)**	(9,523)
Share of loss of an associate	**(917)**	–
Share of profit (loss) of a joint venture	**1,197**	(834)
Profit before tax	**155,440**	140,674
Income tax expense	**(44,235)**	(40,663)
Net profit for the year	**111,205**	100,011

Inter-segment sales are charged at prevailing market prices.

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

	At 30 June 2015	At 31 December 2014
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Segment assets		
Retail and wholesale	**2,492,687**	2,585,051
Contract manufacturing	**268,496**	275,672
Total segment assets	**2,761,183**	2,860,723
Eliminations	**(650,398)**	(678,993)
Unallocated	**125,169**	120,348
Total consolidated assets	**2,235,954**	2,302,078

4. OTHER INCOME AND EXPENSES, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Other income and expenses		
Government grants *(note)*	**30,840**	35,355
Interest income on bank deposits	**2,575**	6,372
Interest income on other financial assets	**3,638**	7,145
Rental income	**–**	305
	37,053	49,177
Other gains and losses		
Investment income from held-to-maturity investments	**451**	1,115
Gain from changes in fair value of embedded derivative financial instruments	**8,393**	2,215
Net foreign exchange (losses) gains	**755**	(530)
	9,599	2,800
Other expenses	**1,345**	1,065
	47,997	53,042

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	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**25,166**	17,298
Amortisation (included in administrative and general expenses)		
– prepaid lease payments	**192**	191
– intangible assets	**732**	418
– other deferred assets	**–**	44
Total depreciation and amortisation	**26,090**	17,951
Cost of inventories recognised as an expense (including allowance for inventories obsolescence)	**527,352**	459,608

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	**45,580**	44,442
Under provision of EIT in prior years	**2,201**	569
Deferred tax credit:		
Current period	**(3,546)**	(4,348)
	44,235	40,663

7. DIVIDENDS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(unaudited)	(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 per share	**–**	60,000
	–	520,000
To convertible bondholders:		
Special dividend of RMB0.23 per share	**–**	22,281
Final dividend for the year ended 31 December 2013 of RMB0.03 per share	**–**	2,907
	–	25,188
	–	545,188

During the current interim period, no dividend in respect of the year ended 31 December 2014 was declared and distributed. During the six months ended 30 June 2014, 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 of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (30 June 2014: nil).

During the six months ended 30 June 2014, 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.

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	
	2015	2014
	(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)	**110,985**	97,800
Effects of dilutive potential ordinary shares:		
Changes in fair value of derivative financial instruments embedded in convertible bonds	**(8,393)**	N/A
Effective interest expense on convertible bonds	**8,821**	N/A
Earnings for the purposes of diluted earnings per share	**111,413**	97,800

	Six months ended 30 June	
	2015	2014
	(unaudited)	(unaudited)
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**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,096,875**	2,000,000
Earnings per share *(RMB cents)*		
– Basic	**5.55**	4.89
– Diluted	**5.31**	4.89

For the six months ended 30 June 2014, 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. Certain trade receivables which are past due are interest bearing.

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 2015 *RMB'000* (unaudited)	At 31 December 2014 *RMB'000* (audited)
0 to 60 days	**311,483**	327,668
61 to 180 days	**49,888**	43,192
181 days to 1 year	**11,324**	7,220
Over 1 year	**17,822**	14,743
	390,517	392,823

10. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments comprise:

	At 30 June 2015 *RMB'000* (unaudited)	At 31 December 2014 *RMB'000* (audited)
Debt securities		
Current portion	**26,990**	23,989
Non-current portion	**–**	3,065
	26,990	27,054

As at 30 June 2015, the held-to-maturity investments represent unsecured debt securities that are either issued by companies with shares listed on the Hong Kong Stock Exchange, or issued by subsidiaries of state-owned enterprises in the People's Republic of China ("PRC"), carrying fixed interest rates at 2.95% to 11.25% (at 31 December 2014: 2.95% to 11.25%) per annum, and will mature from 12 July 2015 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.

11. OTHER FINANCIAL ASSETS

	At 30 June 2015 *RMB'000* (unaudited)	At 31 December 2014 *RMB'000* (audited)
Other financial assets	**109,282**	270,535

At 30 June 2015, 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 2.3% to 5.95% (31 December 2014: 2.7% to 5.95%) 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 of the Company, the fair value of embedded derivatives does not have material impacts on the results and financial position of the Group.

At 30 June 2015, no other financial assets is pledged. At 31 December 2014, included in other financial assets is an amount of RMB150,000,000 which has been pledged to secure the borrowings of RMB150,000,000 granted to the Group and has been released upon the repayment of the corresponding borrowings.

12. TRADE PAYABLES

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

	At 30 June 2015 *RMB'000* (unaudited)	At 31 December 2014 *RMB'000* (audited)
0 to 90 days	**159,714**	156,813
91 to 180 days	**6,454**	789
181 to 1 year	**931**	217
Over 1 year	**210**	35
	167,309	157,854

13. BORROWINGS

	At 30 June 2015 RMB'000 (unaudited)	At 31 December 2014 RMB'000 (audited)
Short-term bank loan	–	150,000
Secured	–	150,000

14. 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 maturity date of the Bonds is 14 June 2016, the 4th anniversary date from the date of issue. The holders of the Bonds have the right to convert the Bonds to ordinary 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. The principal terms of the Bonds are set out in the annual report of the Company for the year ended 31 December 2014.

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:

	At 30 June 2015	At 31 December 2014
Risk-free interest rate	**0.07%**	0.33%
Discount rate	**5.83%**	6.28%
Dividend yield	**0.00%**	1.56%
Volatility of the Company's share price (with references to historical volatility of the Company)	**25.37%**	19.55%
The Company's share price on valuation date	**HK$3.29**	HK$2.41

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 2014 (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)	154,945	24,330	25,427	204,702
Effective interest expense charged during the year	7,959	–	–	7,959
Changes on fair value	–	(7,909)	–	(7,909)
At 31 December 2014 (audited)	162,904	16,421	25,427	204,752
Effective interest expense charged during the year	8,821	–	–	8,821
Changes on fair value	–	(8,393)	–	(8,393)
At 30 June 2015 (unaudited)	171,725	8,028	25,427	205,180

15. SUBSEQUENT EVENT

Subsequent to the end of the reporting period, the Company adopted a share award scheme, details of which are set out in the Company's announcement dated 31 August 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

Despite some positive signs of long-term growth, with macro economy remaining unstable and challenging, the footwear industry continued to face a tough operating environment in the first half of 2015. One of the major reasons is the slower than expected recovery pace of the global economy; while advanced economies in general recorded weak growth, developing countries did not show heartening signs of growth as well. Among which, China's economic growth has slowed down although the government rolled out various stimulus measures, with gross domestic product ("GDP") growth dropping to 7% in the first half of the year. However, the newly introduced loosening policies shall stabilize the economy in the second half of the year with whole year GDP growth on track to reach 7%.

In the first half year of 2015, the consumption growth of China remained sluggish. Although the impact of China's anti-extravagance campaign may not get worse, it is difficult for the retail industry to roll back the years to achieve sales level of the good old days. Nevertheless, salaries were continuously on the rise and the resulting wealth effect is expected to boost consumption sentiment. With increasing disposable income of urban residents and growing size of middle-class, the market is still promising for middle-end and high-end brands retailers.

Sales momentum of the footwear industry remained weak due to fierce competition from e-commerce and emerging sportswear fashion, but the industry on the whole is showing signs of recovery. A bloom season may not be within immediate reach, we believe the worst period has come to an end and earnings are expected to rebound. Yet, industry players have to take a proactive stance in order to grasp the opportunities in the improving market and cope with challenges such as competition from online retailers and structural changes of the industry like changing consumer habits towards lifestyle spending.

As a leading retailer of mid-to-premium women's formal and casual footwear in the PRC, the Group has employed a series of strategies in face of the challenging market environment. First of all, we have further developed online to offline ("O2O") strategy for better marketing of products and brands. Other online initiatives included expanding online sales platforms such as Tmall and JD, and launching a new online promotion program called "Song of the Week". In terms of store management, the Group focused on enhancing the consumption experience of offline stores and expanding the network of new licensed brand stores with outstanding performance. While adopting a careful and prudent strategy in store expansion and brand acquisition, the Group has also taken the proper move in closing down underperformed stores and improving same store sales growth. Besides, the Group has attached great importance to the optimization of proprietary outlets.

On the operation level, we implemented strict cost control and rational discounting policy, which was in line with our efforts in seeking new growth drivers through market and brand diversification to positively contribute to the Group's profitability. In addition, we also strived to improve the inventory level through different measures, such as employing online sales platforms, organizing large-scale special sales and launching VIP members' promotional events. All these initiatives, as further described below, aimed at realizing the ultimate goal of maximizing shareholders' value.

Strategic Pursuit of Diversified Brands and Products Portfolio

The Group insisted in maintaining a diversified brand portfolio as we consider this as the key to maintain a balanced and healthy growth. To improve product mix, we introduced fashion products in response to market demand and fashion trend. With the support of our strong research and development teams, the Group has also introduced a series of products, including handbags, men's footwear and accessories, which proved to be very popular items. To ensure our diversified products could reach the target end customer, the Group has continued to expand its sales network and stepped up the pace in building up a national layout of new licensed brands.

Far-reaching Retail Network

The Group has an extensive retail network covering the majority of first, second and third-tier cities with positive sales prospects. The Group's self-developed and licensed brands are primarily distributed through a broad 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 reduced 11 proprietary retail outlets and added 12 third-party retail outlets. As of 30 June 2015, the Group oversaw a network of 1,754 proprietary retail outlets and 544 third-party retail outlets across China, maintaining a strong presence in over 31 provinces, municipalities and autonomous regions.

Under the challenging market environment, same store sales increased by 5.4% for the first half of 2015 as compared to the same period last year.

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

	C.banner		**EBLAN**		**Sundance**		**MIO**		**Licensed Brands**		
Distribution Regions	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Proprietary outlets	Third-party outlets	Total
Northeast	108	35	63	14	23	4	10	8	38	4	**307**
Beijing	42	17	23	3	18	–	1	6	18	–	**128**
Tianjin	76	78	45	17	17	1	4	11	31	–	**280**
Northwest	74	97	36	30	9	1	–	47	27	–	**321**
Central China	42	26	7	10	6	–	–	7	15	1	**114**
Eastern China	174	44	105	11	50	1	19	–	65	–	**469**
Zhejiang	82	11	31	1	5	–	7	–	36	–	**173**
Shanghai	61	–	18	–	4	–	–	–	25	–	**108**
Southwest	100	17	13	6	6	–	–	2	43	–	**187**
Southern China	102	29	24	5	3	–	4	–	44	–	**211**
Total	**861**	**354**	**365**	**97**	**141**	**7**	**45**	**81**	**342**	**5**	**2,298**

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.

Embracing Diversified E-Marketing Strategies

Besides further integrating O2O business, the Group has also actively developed online business and made well use of online platforms, such as Tmall and JD, to promote our brands and products. The Group also fully leveraged on new media such as WeChat platform to reach younger consumers and launched an innovative online program called "Song of the Week" to promote the sale of one style of highly cost-effective shoe or handbag every week through WeChat store. With effective use of such new media, the Group has successfully implemented a range of successful campaigns, such as VIP member schemes, sales promotion and, frequent and full updates of product catalogues.

Research and Design Tailored to Customers' Needs

Except strong technological knowledge and background, our research and design teams also have full understanding of customers' needs, which is essential to provide tailor-made products to our target customers. To ensure the highest standard of professionalism, the research and development teams are led by brand directors and design managers who have layered of knowledge and experience in the footwear industry. Furthermore, in-house trainings are provided on a continuous basis to ensure the best design possible.

A Vertically Integrated Business Model that Swiftly Accommodates Customers' Preference

The Group enjoys a competitive advantage due to its vertically integrated business model, which encompasses design, development, outsourcing, manufacturing, marketing, wholesaling and retailing. With this holistic business model, the Group can provide pre-sale and after-sale services to customers directly and efficiently as well as interacting deeply with customers through online and offline platforms.

Optimization of Retail Network to Build a Strong Customer Base

The Group has strived to realize a strategic layout of self-developed and licensed brand stores in first, second and third-tier cities in the PRC. The Group are committed to enhance the same store sales growth of each offline store and actively improve the building of online stores. As a part of our ongoing efforts to optimize the retail network, we have continued to close some underperformed proprietary retail outlets during the first half of 2015. For our existing stores, we regularly update store image to bring an exhilarating new experience to customers and launch various promotions to enhance brand awareness.

Financial Review

For the six months ended 30 June 2015, the Group's total revenue increased 14.1% to RMB1,416.2 million as compared to the same period of last year. Operating profit increased by approximately 10.5% to RMB155.4 million for the period under review. Profit attributable to owners of the Company jumped 13.5% to RMB111.0 million as compared to the same period of last year.

Revenue

For the six months ended 30 June 2015, the Group's total revenue rose by 14.1% to RMB1,416.2 million, compared to RMB1,240.9 million in the same period of last year.

The Group's revenue mix comprises income from retail and wholesale operations and contract manufacturing. Revenue from the contract manufacturing business increased 13.5% during the first half of 2015 mainly due to the increasing orders and production capacity of contract manufacturing.

Revenue distribution is as follows:

	For the six months ended 30 June				
	2015		2014		
	RMB ('000)	**% of Total Revenue**	*RMB ('000)*	% of Total Revenue	**% of Growth**
Retail and wholesale	**1,292,279**	**91.3%**	1,131,743	91.2%	**14.2%**
Contract manufacturing	**123,882**	**8.7%**	109,162	8.8%	**13.5%**
Total	**1,416,161**	**100.0%**	1,240,905	100.0%	**14.1%**

Profitability

For the six months ended 30 June 2015, the Group's gross profit increased 13.8% to RMB888.8 million, an increase of RMB107.5 million from RMB781.3 million in the same period of last year. As of 30 June 2015, the gross profit margin was 62.8%.

For the six months ended 30 June 2015, the Group's distribution and selling expenses reached RMB727.8 million, an increase of RMB84.6 million or 13.1% from the same period of last year. Distribution and selling expenses accounted for 51.4% of total revenue, compared to 51.8% in the same period of last year.

For the six months ended 30 June 2015, the Group's administrative and general expenses amounted to RMB43.6 million, an increase of RMB3.5 million or 8.8% from the same period of last year. Administrative and general expenses accounted for 3.1% of the total revenue, compared to 3.2% in the same period of last year.

For the six months ended 30 June 2015, other income and expenses and other gains and losses recorded a net gain of RMB48.0 million, compared to a net gain of RMB53.0 million in the same period of last year. Other income mainly comes from government grants, interest income on bank deposits, and interest income on other financial assets.

For the six months ended 30 June 2015, the Group recorded finance costs of RMB10.2 million, compared to RMB9.5 million in the same period of last year.

For the six months ended 30 June 2015, income tax expense increased by approximately RMB3.5 million or 8.8% to RMB44.2 million, compared to RMB40.7 million in the same period of last year. The increase was mostly attributed to the increase in profit before tax. The effective income tax rate during the period under review was 28.5%, an decrease of 0.4 percentage points from 28.9% in the same period of last year.

For the six months ended 30 June 2015, profit attributable to owners of the Company increased 13.5% to RMB111.0 million, an increase of RMB13.2 million from RMB97.8 million in the same period of last year.

Liquid Assets and Financial Resources

As of 30 June 2015, the Group had bank balances and cash of RMB436.2 million (31 December 2014: RMB350.1 million).

For the six months ended 30 June 2015, net cash from operating activities was RMB85.6 million, an increase of RMB25.7 million as compared to RMB59.9 million in the same period of last year.

For the six months ended 30 June 2015, net cash from investing activities was RMB150.5 million, compared to RMB119.5 million during the same period of last year. The inflow was primarily related to the investment in other financial assets of RMB449.4 million and payment for acquisition of fixed assets of RMB19.1 million, which was partially offset by redemption of investment in other financial assets of RMB603.8 million and cash inflow from other investing activities.

For the six months ended 30 June 2015, net cash outflows from financing activities was RMB150.0 million, while net cash outflows from financing activities in the same period of last year was RMB332.3 million.

As of 30 June 2015, the net current assets of the Group were RMB1,327.2 million, compared with RMB1,386.8 million as of 31 December 2014, representing a net decrease of RMB59.6 million or 4.3%.

Pledge of Asset

As of 30 June 2015, the Group had no bank loans. As of the same date, it had no pledged financial asset. As of 31 December 2014, the Group had pledged financial asset in the amount of RMB150.0 million.

Contingent Liabilities

The Group did not have any substantial or contingent liabilities as of 30 June 2015.

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 merely accounted for 8.7% of total revenue, the Board does not expect that exchange rate fluctuations would have any significant impact on the Group's business. Nevertheless, the Board will keep monitoring the impact of the exchange rate on the contract manufacturing business closely and take appropriate measures to mitigate the impact where necessary.

For the six months ended 30 June 2015, the Group recorded a gain from currency exchange of RMB0.75 million, compared to a loss of RMB0.53 million 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 2015, the Group had 12,300 employees (31 December 2014: 12,228 employees). In order to retain top talents, the Group offers competitive remuneration packages, including mandatory pension funds, insurance and medical benefits. In addition, the Group pays discretionary bonuses to qualified employees with reference to the business performance and their individual work performance.

Outlook

Though the prevailing operating environment remains challenging, the "Made in China 2025" national plan proposed by the government of PRC and the overall recovery of the manufacturing industry shall provide new market opportunities for footwear manufacturers. Furthermore, with the ongoing urbanization and the increasing purchasing power of middle-class, the markets of mid-to-high end brands are still promising. In fact, due to the unique and differentiated market positioning from online footwear brands, the mid-to-high end brands have irreplaceable advantages owing to their superior quality and brand awareness.

In the past few years, the retail channels have changed significantly. With the escalating operating cost of bricks-and-mortar stores and burgeoning e-payment business, O2O business model represents huge potential for traditional retailers and this is one of the key areas where we are focusing on. Besides actively developing online business, great efforts were made in accelerating online and offline integration to boost sales and promote our diversified brands.

We believe that a strong and excellent brand portfolio is the foundation of business success. In view of this, the Group will enhance its brand image and diversify its brand portfolio through developing new self-owned brands and potential new licensed brands. Besides initiating promotional campaigns for major popular brands, the Group will also carry out selective acquisitions of brands that are highly complementary to our existing portfolio to achieve synergistic effect.

With respect to network building, the Group adopts a two-pronged strategy. On the offline front, the Group will continue to refine offline sales and distribution networks and enhance same-store operation efficiency. In addition, we will close down underperformed stores to ensure the Group's profitability. On the online front, the Group will keep its efforts in developing online business and platforms in order to drive sales and broaden sales and distribution network. From a geographical perspective, while consolidating our business presence in first-tier cities, we will also seize opportunities to expand our business coverage in second-tier and third-tier cities to reach new mass markets.

To further increase market share and enhance brand influence, the Group will adhere to its hybrid online and offline marketing strategy which has proven to deliver results. Prioritizing efficiency over growth, the Group will establish strategic measures to enhance operating efficiency, control expenses and further optimize inventory level. Through our experience and expertise in the footwear industry and well-designed business plans, the Group is confident to turn the prevailing challenges into opportunities and deliver fruitful results and rewards to our valuable shareholders.

Event after reporting period

On 21 July 2015, the Company received a conversion notice from each of China Champion Holdings Limited ("CVC"), China Consumer Capital Fund, L.P ("CCC1") and MouseeDragon, L.P ("Mousse") for the exercise of conversion rights attached to the Bonds in respect of the principal amount of RMB138,617,930, RMB18,902,445 and RMB31,504,075 at the conversion price of HK$2.40 per conversion share, respectively (collectively, the "Conversions"). As a result of the Conversions, the Company has allotted and issued a total of 71,042,400 shares, 9,687,600 shares and 16,146,000 shares in the capital of the Company to CVC, CCC1 and Mousse, respectively, on 21 July 2015. After the Conversions, the Company does not have any outstanding Bonds.

INTERIM DIVIDENDS

The Directors of the company do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (30 June 2014: 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 Listing Rules on the Hong Kong Stock Exchange as its own code of conduct regarding Directors' securities transactions.

The Company confirms that, having made specific enquiry of all the Directors, the Directors have complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2015.

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 2015. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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. Ho Chi Kit, Mr. Wu Guangze, Mr. Li Xindan and Mr. Zhang Zhiyong were unable to attend the annual general meeting of the Company held on 26 June 2015.

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

For the six months ended 30 June 2015, 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 2015.

PUBLICATION OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS AND 2015 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 2015 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, 31 August 2015

As at the date of this announcement, the executive Directors are Mr. CHEN Yixi, Mr. ZHAO 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.