BELLE INTERNATIONAL HOLDINGS LIMITED
百麗國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1880)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

FINANCIAL HIGHLIGHTS

		Fourteen months ended 28 February		Twelve months ended 31 December	Year ended 31 December
		2014	2013	2013	2012
Revenue	RMB million	**43,067.2**	39,131.8	36,249.1	32,859.0
Operating profit	RMB million	**6,634.0**	6,371.4	5,642.3	5,402.9
Income tax expense	RMB million	**1,920.0**	1,618.3	1,539.9	1,351.4
Profit attributable to the Company's equity holders	RMB million	**5,159.1**	5,109.3	4,491.8	4,352.3
Gross profit margin	%	**57.1**	56.4	57.5	56.6
Operating profit margin	%	**15.4**	16.3	15.6	16.4
Profit margin attributable to the Company's equity holders	%	**12.0**	13.1	12.4	13.2
Earnings per share					
— basic	RMB cents	**61.17**	60.58	53.26	51.60
— diluted	RMB cents	**61.17**	60.58	53.26	51.60

		Fourteen months ended 28 February 2014	Year ended 31 December 2012
Dividend per share			
— interim, paid	RMB cents	**8.00**	8.00
— final, proposed	RMB cents	**12.00**	8.00

The Company changed its financial year end date from 31 December to 28 February (or 29 February in a leap year), the current financial period covers a fourteen months period from 1 January 2013 to 28 February 2014 with the comparative period of the year from 1 January 2012 to 31 December 2012. For the purpose of enhancing the comparability of information, the Company has also voluntarily presented certain financial information for the fourteen months period from 1 January 2012 to 28 February 2013 as the direct comparative information.

ANNUAL RESULTS

The board of directors (the “Board” or “Directors”) of Belle International Holdings Limited (the “Company”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the “Group”) for the fourteen months ended 28 February 2014, together with comparative figures for the fourteen months ended 28 February 2013 and year ended 31 December 2012, as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Note	**Fourteen months ended 28 February 2014**	Year ended 31 December 2012	Fourteen months ended 28 February 2013*
		RMB million	*RMB million*	*RMB million* *(Note 2.1)*
Revenue	3	**43,067.2**	32,859.0	39,131.8
Costs of sales		**(18,484.1)**	(14,260.8)	(17,062.8)
Gross profit		**24,583.1**	18,598.2	22,069.0
Selling and distribution expenses		**(15,104.8)**	(11,081.1)	(13,220.0)
General and administrative expenses		**(3,279.8)**	(2,387.1)	(2,812.6)
Other income	4	**450.7**	272.9	335.0
Other expenses		**(15.2)**	—	—
Operating profit	5	**6,634.0**	5,402.9	6,371.4
Finance income		**448.6**	309.4	363.2
Finance costs		**(39.7)**	(40.7)	(47.1)
Finance income, net	6	**408.9**	268.7	316.1
Share of results of associates and a joint venture		**4.8**	4.9	4.3
		413.7	273.6	320.4
Profit before income tax		**7,047.7**	5,676.5	6,691.8
Income tax expense	7	**(1,920.0)**	(1,351.4)	(1,618.3)
Profit for the period/year		**5,127.7**	4,325.1	5,073.5
Attributable to:				
Equity holders of the Company		**5,159.1**	4,352.3	5,109.3
Non-controlling interests		**(31.4)**	(27.2)	(35.8)
		5,127.7	4,325.1	5,073.5
Earnings per share attributable to equity holders of the Company during the period/year	8	***RMB cents***	*RMB cents*	*RMB cents*
— basic		**61.17**	51.60	60.58
— diluted		**61.17**	51.60	60.58

* *Voluntary disclosure*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Fourteen months ended 28 February 2014 *RMB million*	Year ended 31 December 2012 *RMB million*	Fourteen months ended 28 February 2013* *RMB million* *(Note 2.1)*
Profit for the period/year	**5,127.7**	4,325.1	5,073.5
Other comprehensive loss			
Items that may be subsequently reclassified to income statement:			
Exchange differences	**(41.0)**	(6.1)	(6.7)
Other comprehensive loss for the period/year	**(41.0)**	(6.1)	(6.7)
Total comprehensive income for the period/year	**5,086.7**	4,319.0	5,066.8
Attributable to:			
Equity holders of the Company	**5,118.1**	4,346.2	5,102.6
Non-controlling interests	**(31.4)**	(27.2)	(35.8)
	5,086.7	4,319.0	5,066.8

* *Voluntary disclosure*

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2014

	Note	**As at 28 February 2014** *RMB million*	As at 31 December 2012 *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**3,691.1**	3,347.2
Land use rights		**1,557.0**	1,290.5
Investment properties		**324.5**	335.4
Intangible assets		**3,469.3**	2,731.6
Interests in associates and a joint venture		**688.7**	109.3
Long-term deposits, prepayments and other non-current assets		**1,008.3**	603.5
Deferred income tax assets		**449.1**	465.6
Structured bank deposits		**509.5**	103.5
		11,697.5	8,986.6
Current assets			
Inventories		**6,570.6**	7,032.7
Trade receivables	10	**3,284.8**	3,134.3
Deposits, prepayments and other receivables		**1,117.5**	1,027.3
Structured bank deposits		**6,816.4**	5,642.5
Term deposits with initial terms of over three months		**82.1**	492.5
Bank balances and cash		**2,825.0**	2,286.9
		20,696.4	19,616.2
Total assets		**32,393.9**	28,602.8

	Note	As at 28 February 2014 RMB million	As at 31 December 2012 RMB million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**83.1**	83.1
Share premium		**9,214.1**	9,214.1
Reserves		**16,892.0**	13,123.3
		26,189.2	22,420.5
Non-controlling interests		**146.1**	142.9
Total equity		**26,335.3**	22,563.4
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**159.6**	110.9
Deferred income		**62.5**	69.2
		222.1	180.1
Current liabilities			
Trade payables	11	**761.2**	1,153.3
Other payables, accruals and other current liabilities		**1,518.7**	1,457.6
Short-term borrowings	12	**2,360.1**	2,176.3
Current income tax liabilities		**1,196.5**	1,072.1
		5,836.5	5,859.3
Total liabilities		**6,058.6**	6,039.4
Total equity and liabilities		**32,393.9**	28,602.8
Net current assets		**14,859.9**	13,756.9
Total assets less current liabilities		**26,557.4**	22,743.5

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Fourteen months ended 28 February 2014 *RMB million*	Year ended 31 December 2012 *RMB million*	Fourteen months ended 28 February 2013* *RMB million* *(Note 2.1)*
Cash flows from operating activities			
Net cash generated from operations	**7,747.9**	6,202.0	6,976.8
PRC income tax paid	**(1,801.2)**	(1,737.0)	(2,182.5)
Hong Kong profits tax paid	**(7.3)**	(60.7)	(60.7)
Macau income tax paid	**(10.6)**	(10.1)	(10.1)
Net cash generated from operating activities	**5,928.8**	4,394.2	4,723.5
Cash flows from investing activities			
Capital contribution and loan to a joint venture	**(13.0)**	(42.8)	(42.8)
Capital contribution to an associate	**(10.1)**	–	–
Acquisition of an associate	**(582.9)**	–	–
Acquisition of subsidiaries, net of cash acquired	**(624.5)**	–	–
Prepayments for acquisition of subsidiaries	**(665.0)**	(264.0)	(386.1)
Payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets	**(1,767.7)**	(1,520.4)	(1,981.8)
Proceeds from sale of property, plant and equipment	**10.6**	12.0	12.1
Placement of structured bank deposits	**(15,702.2)**	(8,369.0)	(10,829.0)
Proceeds from maturity of structured bank deposits	**14,994.0**	6,045.0	8,617.0
Decrease/(increase) in term deposits with initial terms of over three months	**551.0**	(3.3)	(414.0)
Interest received	**430.6**	255.7	330.0
Net cash used in investing activities	**(3,379.2)**	(3,886.8)	(4,694.6)
Cash flows from financing activities			
Dividends paid	**(1,349.4)**	(1,349.4)	(1,349.4)
Interest paid	**(39.7)**	(40.7)	(47.1)
Capital contribution from non-controlling interests	**34.6**	–	–
Proceeds from borrowings	**2,624.2**	3,904.2	4,492.5
Repayments of borrowings	**(2,394.6)**	(3,621.5)	(4,060.9)
Net cash used in financing activities	**(1,124.9)**	(1,107.4)	(964.9)
Net increase/(decrease) in cash and cash equivalents	**1,424.7**	(600.0)	(936.0)
Cash and cash equivalents at beginning of the period/year	**2,286.9**	2,886.8	2,886.8
Effect on foreign exchange	**(6.6)**	0.1	(0.4)
Cash and cash equivalents at end of the period/year	**3,705.0**	2,286.9	1,950.4

* *Voluntary disclosure*

NOTES

1 General information

Belle International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing, distribution and retailing of shoes and footwear products; and the sales of sportswear and apparel products. The Group has manufacturing plants in the People's Republic of China (the "PRC") for the production of shoes and footwear products, and sells mainly in the PRC, Hong Kong and Macau.

The Company was incorporated in the Cayman Islands on 19 May 2004 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board of Directors on 26 May 2014.

2 Basis of preparation and accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the period/year presented, unless otherwise stated.

2.1 Change of year end date and additional financial information

Pursuant to a special resolution passed on 8 September 2013, the Board of Directors has resolved to change the financial year end date of the Company from 31 December to 28 February (or 29 February in a leap year) to coincide with the natural retail cycle in the footwear and sportswear retail businesses. Accordingly, the current financial period covers a fourteen months period from 1 January 2013 to 28 February 2014 with the comparative financial period from 1 January 2012 to 31 December 2012.

For the purpose of enhancing the comparability of information, the Company has also voluntarily presented the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows and related notes thereto for the fourteen months period from 1 January 2012 to 28 February 2013 as the direct comparative figures.

2.2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention. Certain financial information has been reclassified to conform to the current period's presentation.

(a) Effect of adopting new standards, amendments and interpretation to standards

The following new standards, amendments and interpretation to standards are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these new standards, amendments and interpretation to standards does not have any significant impact to the results and financial position of the Group.

IFRSs (amendment)	Annual improvements to IFRSs 2009-2011 cycle
IFRS 1 (amendment)	Government loans
IFRS 1 (amendment)	Annual improvements to 2013 – first time adoption
IFRS 7 (amendment)	Disclosures – offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 10, IFRS 11 and IFRS 12 (amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities – transition guidance
IFRS 13	Fair value measurements
IFRS 13 (amendment)	Annual improvements to 2012 – fair value measurements
International Accounting Standards ("IAS") 1 (amendment)	Presentation of financial statements
IAS 19 (amendment)	Employee benefits
IAS 27 (2011)	Separate financial statements
IAS 28 (2011)	Investments in associates and joint ventures
International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 20	Stripping costs in the production phase of a surface mine

(b) New standards, amendments and interpretation to standards that have been issued but are not effective

The following new standards, amendments and interpretation to standards have been issued but are not effective for the period and have not been early adopted by the Group:

IFRSs (amendment)	Annual improvements to IFRSs 2010-2012 cycle (2)
IFRSs (amendment)	Annual improvements to IFRSs 2011-2013 cycle (2)
IFRS 7 (amendment)	Mandatory effective date of IFRS 9 and transition disclosures (4)
IFRS 9	Financial instruments (4)
Additions to IFRS 9	Financial instruments – financial liabilities (4)
IFRS 10, IFRS 12 and IAS 27 (2011) (amendment)	Investment entities (1)
IFRS 14	Regulatory Deferral Accounts (3)
IAS 19 (amendment)	Defined benefit plans – employee contribution (2)
IAS 32 (amendment)	Financial instruments – presentation – offsetting financial assets and financial liabilities (1)
IAS 36 (amendment)	Recoverable amount disclosures for non-financial assets (1)
IAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting (1)
IFRIC Interpretation 21	Levies (1)

(1) Effective for the Group for annual period beginning on 1 March 2014.

(2) Effective for the Group for annual period beginning on 1 March 2015.

(3) Effective for the Group for annual period beginning on 1 March 2016.

(4) Effective date to be determined.

The directors anticipate that the adoption of these new standards, amendments and interpretation to standards will not result in a significant impact on the results and financial position of the Group.

3 Segment information

The Group is principally engaged in the manufacturing, distribution and retailing of shoes and footwear products, and the sales of sportswear and apparel products.

	Fourteen months ended 28 February 2014				
	Shoes and footwear products	**Sportswear and apparel products**	**Total reportable segments**	**Unallocated**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue					
Sales of goods	**26,392.3**	**16,508.1**	**42,900.4**	–	**42,900.4**
Commissions from concessionaire sales	–	**166.8**	**166.8**	–	**166.8**
	26,392.3	**16,674.9**	**43,067.2**	**–**	**43,067.2**
Results of reportable segments	**5,982.9**	**793.8**	**6,776.7**	**–**	**6,776.7**

Reconciliation of results of reportable segments to profit for the period

Results of reportable segments	**6,776.7**
Amortization of intangible assets	**(120.8)**
Unallocated income	**41.1**
Unallocated expenses	**(63.0)**
Operating profit	**6,634.0**
Finance income	**448.6**
Finance costs	**(39.7)**
Share of results of associates and a joint venture	**4.8**
Profit before income tax	**7,047.7**
Income tax expense	**(1,920.0)**
Profit for the period	**5,127.7**

	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
Other segment information					
Depreciation on property, plant and equipment	**681.6**	**395.4**	**1,077.0**	**36.9**	**1,113.9**
Amortization of land use rights	**8.5**	**6.5**	**15.0**	**16.1**	**31.1**
Amortization of intangible assets	**87.7**	**33.1**	**120.8**	**–**	**120.8**
Depreciation on investment properties	–	–	–	**9.8**	**9.8**
Write-off of property, plant and equipment	**11.2**	**28.7**	**39.9**	**–**	**39.9**
Loss on disposal of property, plant and equipment	**1.7**	**0.6**	**2.3**	**–**	**2.3**
Impairment losses of inventories	**8.9**	**8.0**	**16.9**	–	**16.9**
Additions to non-current assets (excluding acquisitions of subsidiaries and associates)	**1,407.6**	**327.3**	**1,734.9**	**32.8**	**1,767.7**

	Year ended 31 December 2012				
	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue					
Sales of goods	21,045.3	11,739.4	32,784.7	–	32,784.7
Commissions from concessionaire sales	–	74.3	74.3	–	74.3
	21,045.3	11,813.7	32,859.0	–	32,859.0
Results of reportable segments	5,008.8	480.7	5,489.5	–	5,489.5

Reconciliation of results of reportable segments to profit for the year

Results of reportable segments	5,489.5
Amortization of intangible assets	(70.0)
Unallocated income	19.4
Unallocated expenses	(36.0)
Operating profit	5,402.9
Finance income	309.4
Finance costs	(40.7)
Share of results of associates and a joint venture	4.9
Profit before income tax	5,676.5
Income tax expense	(1,351.4)
Profit for the year	4,325.1

	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
Other segment information					
Depreciation on property, plant and equipment	500.9	298.2	799.1	16.8	815.9
Amortization of land use rights	11.2	8.4	19.6	–	19.6
Amortization of intangible assets	69.4	0.6	70.0	–	70.0
Depreciation on investment properties	–	–	–	0.7	0.7
Write-off of property, plant and equipment	3.4	2.5	5.9	–	5.9
Loss/(gain) on disposal of property, plant and equipment	7.7	(0.3)	7.4	–	7.4
(Reversal of impairment)/ impairment losses of inventories	(13.0)	20.0	7.0	–	7.0
Additions to non-current assets (excluding acquisitions of subsidiaries and associates)	970.3	350.4	1,320.7	199.7	1,520.4

	Fourteen months ended 28 February 2013				
	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue					
Sales of goods	25,125.3	13,918.5	39,043.8	–	39,043.8
Commissions from concessionaire sales	–	88.0	88.0	–	88.0
	25,125.3	14,006.5	39,131.8	–	39,131.8
Results of reportable segments	5,913.4	566.2	6,479.6	–	6,479.6

Reconciliation of results of reportable segments to profit for the period

Results of reportable segments	6,479.6
Amortization of intangible assets	(91.0)
Unallocated income	23.8
Unallocated expenses	(41.0)
Operating profit	6,371.4
Finance income	363.2
Finance costs	(47.1)
Share of results of associates and a joint venture	4.3
Profit before income tax	6,691.8
Income tax expense	(1,618.3)
Profit for the period	5,073.5

Other segment information	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
Depreciation on property, plant and equipment	592.7	350.9	943.6	21.4	965.0
Amortization of land use rights	12.5	9.3	21.8	2.5	24.3
Amortization of intangible assets	90.4	0.6	91.0	–	91.0
Depreciation on investment properties	–	–	–	2.0	2.0
Write-off of property, plant and equipment	8.2	3.8	12.0	–	12.0
Loss/(gain) on disposal of property, plant and equipment	7.7	(0.3)	7.4	–	7.4
(Reversal of impairment)/ impairment losses of inventories	(13.0)	20.0	7.0	–	7.0
Additions to non-current assets (excluding acquisitions of subsidiaries and associates)	1,358.8	416.6	1,775.4	206.4	1,981.8

	As at 28 February 2014				
	Shoes and footwear products	**Sportswear and apparel products**	**Total reportable segments**	**Unallocated**	**Total**
	RMB million	***RMB million***	***RMB million***	***RMB million***	***RMB million***
Segment assets	**13,950.1**	**5,906.8**	**19,856.9**	–	**19,856.9**
Goodwill	**1,710.3**	**1,020.6**	**2,730.9**	–	**2,730.9**
Other intangible assets	**468.5**	**269.9**	**738.4**	–	**738.4**
Inter-segment balances elimination	**(1,944.0)**	–	**(1,944.0)**	–	**(1,944.0)**
	14,184.9	**7,197.3**	**21,382.2**	–	**21,382.2**
Investment properties	–	–	–	**324.5**	**324.5**
Term deposits with initial terms of over three months	–	–	–	**82.1**	**82.1**
Structured bank deposits	–	–	–	**7,325.9**	**7,325.9**
Deferred income tax assets	–	–	–	**449.1**	**449.1**
Interests in associates and a joint venture	–	–	–	**688.7**	**688.7**
Other corporate assets	–	–	–	**2,141.4**	**2,141.4**
Total assets per consolidated balance sheet	**14,184.9**	**7,197.3**	**21,382.2**	**11,011.7**	**32,393.9**
Segment liabilities	**1,644.5**	**2,618.5**	**4,263.0**	–	**4,263.0**
Inter-segment balances elimination	–	**(1,944.0)**	**(1,944.0)**	–	**(1,944.0)**
	1,644.5	**674.5**	**2,319.0**	–	**2,319.0**
Short-term borrowings	–	–	–	**2,360.1**	**2,360.1**
Current income tax liabilities	–	–	–	**1,196.5**	**1,196.5**
Deferred income tax liabilities	–	–	–	**159.6**	**159.6**
Other corporate liabilities	–	–	–	**23.4**	**23.4**
Total liabilities per consolidated balance sheet	**1,644.5**	**674.5**	**2,319.0**	**3,739.6**	**6,058.6**

	As at 31 December 2012				
	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	14,157.0	6,496.2	20,653.2	–	20,653.2
Goodwill	1,710.3	485.3	2,195.6	–	2,195.6
Other intangible assets	536.0	–	536.0	–	536.0
Inter-segment balances elimination	(3,974.7)	–	(3,974.7)	–	(3,974.7)
	12,428.6	6,981.5	19,410.1	–	19,410.1
Investment properties	–	–	–	335.4	335.4
Term deposits with initial terms of over three months	–	–	–	492.5	492.5
Structured bank deposits	–	–	–	5,746.0	5,746.0
Deferred income tax assets	–	–	–	465.6	465.6
Interests in associates and a joint venture	–	–	–	109.3	109.3
Other corporate assets	–	–	–	2,043.9	2,043.9
Total assets per consolidated balance sheet	12,428.6	6,981.5	19,410.1	9,192.7	28,602.8
Segment liabilities	1,644.7	4,995.3	6,640.0	–	6,640.0
Inter-segment balances elimination	–	(3,974.7)	(3,974.7)	–	(3,974.7)
	1,644.7	1,020.6	2,665.3	–	2,665.3
Short-term borrowings	–	–	–	2,176.3	2,176.3
Current income tax liabilities	–	–	–	1,072.1	1,072.1
Deferred income tax liabilities	–	–	–	110.9	110.9
Other corporate liabilities	–	–	–	14.8	14.8
Total liabilities per consolidated balance sheet	1,644.7	1,020.6	2,665.3	3,374.1	6,039.4

The Group's revenue is mainly derived from customers located in the PRC. An analysis of the Group's revenue by location of customers is as follows:

	Fourteen months ended 28 February 2014 *RMB million*	Year ended 31 December 2012 *RMB million*	Fourteen months ended 28 February 2013 *RMB million*
Revenue			
The PRC	**41,374.4**	31,212.3	37,234.9
Hong Kong and Macau	**1,323.6**	1,217.6	1,429.8
Other locations	**369.2**	429.1	467.1
	43,067.2	32,859.0	39,131.8

An analysis of the Group's non-current assets (other than deferred income tax assets and structured bank deposits) by location of assets is as follows:

	The PRC *RMB million*	**Hong Kong and Macau** *RMB million*	**Other locations** *RMB million*	**Total** *RMB million*
As at 28 February 2014				
Non-current assets				
Property, plant and equipment	**3,370.6**	**320.5**	–	**3,691.1**
Land use rights	**1,557.0**	–	–	**1,557.0**
Investment properties	**277.9**	**46.6**	–	**324.5**
Intangible assets	**3,397.5**	**71.8**	–	**3,469.3**
Long-term deposits, prepayments and other non-current assets	**916.1**	**56.5**	**35.7**	**1,008.3**
Interests in associates and a joint venture	**103.7**	–	**585.0**	**688.7**
As at 31 December 2012				
Non-current assets				
Property, plant and equipment	3,000.4	346.8	–	3,347.2
Land use rights	1,290.5	–	–	1,290.5
Investment properties	286.1	49.3	–	335.4
Intangible assets	2,659.8	71.8	–	2,731.6
Long-term deposits, prepayments and other non-current assets	557.2	46.3	–	603.5
Interests in associates and a joint venture	109.3	–	–	109.3

4 Other income

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Rental income	**41.1**	19.4	23.8
Government incentives *(note)*	**409.6**	253.5	311.2
	450.7	272.9	335.0

Note:

Government incentives comprise of subsidies received from various local governments in the PRC.

5 Operating profit

Operating profit is stated after charging the following:

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Costs of inventories recognized as expenses included in costs of sales	**18,465.1**	14,258.1	17,059.8
Depreciation on property, plant and equipment	**1,113.9**	815.9	965.0
Depreciation on investment properties	**9.8**	0.7	2.0
Amortization of intangible assets	**120.8**	70.0	91.0
Amortization of land use rights	**31.1**	19.6	24.3
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**9,370.8**	6,924.6	8,303.9
Staff costs (including directors' emoluments)	**6,594.8**	4,767.2	5,605.1
Loss on disposal of property, plant and equipment	**2.3**	7.4	7.4
Write-off of property, plant and equipment	**39.9**	5.9	12.0
Impairment losses of inventories	**16.9**	7.0	7.0
Auditor's remuneration	**11.1**	10.7	10.7

Costs of inventories recognized as expenses mainly include purchases, direct employee compensation costs, subcontracting costs and manufacturing overheads.

6 Finance Income, net

	Fourteen months ended 28 February 2014 *RMB million*	Year ended 31 December 2012 *RMB million*	Fourteen months ended 28 February 2013 *RMB million*
Interest income from bank deposits	**63.8**	105.2	114.8
Interest income from structured bank deposits	**358.1**	197.6	239.6
Net foreign exchange gains	**26.7**	6.6	8.8
	448.6	309.4	363.2
Interest expense on short-term bank borrowings, wholly repayable within 5 years	**(39.7)**	(40.7)	(47.1)
Finance income, net	**408.9**	268.7	316.1

7 Income tax expense

	Fourteen months ended 28 February 2014 *RMB million*	Year ended 31 December 2012 *RMB million*	Fourteen months ended 28 February 2013 *RMB million*
Current income tax			
— PRC corporate income tax	**1,930.5**	1,526.1	1,723.1
— Hong Kong profits tax	**19.6**	22.6	30.1
— Macau income tax	**11.1**	11.0	13.5
(Over)/under-provision in prior years			
— PRC corporate income tax	**(29.8)**	(30.6)	(30.6)
— Hong Kong profits tax	**(1.2)**	(10.5)	(10.5)
— Macau income tax	**0.1**	0.2	0.2
Deferred income tax	**(10.3)**	(167.4)	(107.5)
	1,920.0	1,351.4	1,618.3

8 Earnings per share

Basic

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period/year.

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
Profit attributable to equity holders of the Company *(RMB million)*	**5,159.1**	4,352.3	5,109.3
Weighted average number of ordinary shares for the purpose of basic earnings per share *(thousand of shares)*	**8,434,233**	8,434,233	8,434,233
Basic earnings per share *(RMB cents per share)*	**61.17**	51.60	60.58

Diluted

Diluted earnings per share is the same as the basic earnings per share as there were no potential dilutive ordinary shares outstanding during the period/year.

9 Dividends

	Fourteen months ended 28 February 2014 ***RMB million***	Year ended 31 December 2012 *RMB million*
Interim dividend, paid, of RMB8.0 cents (Year ended 31 December 2012: RMB8.0 cents) per ordinary share *(note (b) and (d))*	**674.7**	674.7
Final dividend, proposed, of RMB12.0 cents (Year ended 31 December 2012: RMB8.0 cents) per ordinary share (*note (a) and (c))*	**1,012.1**	674.7
	1,686.8	1,349.4

Notes:

(a) At a meeting held on 26 May 2014, the directors recommended a final dividend of RMB12.0 cents per ordinary share (totaling RMB1,012.1 million) for the fourteen months ended 28 February 2014. This proposed dividend is not reflected as dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 28 February 2015.

(b) At a meeting held on 23 August 2013, the directors declared an interim dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the fourteen months ended 28 February 2014, which was paid during the period and has been reflected as an appropriation of retained earnings for the fourteen months ended 28 February 2014.

(c) At a meeting held on 25 March 2013, the directors recommended a final dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the year ended 31 December 2012, which was paid during the period and has been reflected as an appropriation of retained earnings for the fourteen months ended 28 February 2014.

(d) At a meeting held on 21 August 2012, the directors declared an interim dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the year ended 31 December 2012, which was paid and reflected as an appropriation of retained earnings during the year ended 31 December 2012.

10 Trade receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 28 February 2014, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
0 to 30 days	**3,194.3**	3,067.7
31 to 60 days	**63.8**	30.3
61 to 90 days	**7.8**	26.5
Over 90 days	**18.9**	9.8
	3,284.8	3,134.3

The carrying amounts of trade receivables approximate their fair values.

11 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. As at 28 February 2014, the aging analysis of trade payables is as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
0 to 30 days	**542.0**	948.0
31 to 60 days	**156.2**	190.4
Over 60 days	**63.0**	14.9
	761.2	1,153.3

The carrying amounts of trade payables approximate their fair values.

12 Short-term borrowings

As at 28 February 2014, the Group's bank borrowings are unsecured and carry interest at floating rates. The weighted average effective interest rate is 1.45% (31 December 2012: 1.97%) per annum. The carrying amounts of the Group's bank borrowings are denominated in Hong Kong dollars and approximate their fair values. All these bank borrowings are wholly repayable within 5 years.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's business is divided into two main segments － the footwear business and the sportswear and apparel business.

Company-owned brands of the footwear business mainly include Belle, Teenmix, Tata, Staccato, Senda, Basto, Jipi Japa, Millie's, Joy & Peace, :15MINS, SKAP, Mirabell, etc. Distribution brands mainly include Bata, Clarks, Hush Puppies, Mephisto, Merrell, Caterpillar, etc. For company-owned brands, the Group mainly adopts a vertically integrated business model which covers product research and development, procurement, manufacturing, distribution and retailing. For distribution brands, the Group operates the business mainly in two different models, brand licensing and retail distribution.

In contrast of the footwear business, the majority of the sportswear and apparel business is in the form of distribution business, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands PUMA, Converse, Mizuno, etc. The distinction between first-tier brands and second-tier brands is based on two major factors. First, their relative importance – Nike and Adidas account for approximately 90% of the sales of the sportswear and apparel business of the Group; Second, their operational, managerial and performance characteristics – Nike and Adidas have much better brand recognition among Chinese consumers and more extensive product offerings, as a result their store productivity is much higher than second-tier brands and thus profitability is also stronger.

The following table sets out the distribution of the company-managed retail outlets of the Group by region and by business segment in Mainland China as at 28 February 2014.

	Number of Company-managed Retail Outlets						
	Footwear			**Sportswear**			
Region	**Company-owned brands**	**Distribution brands**	**Sub-total**	**First-tier brands**	**Second-tier brands**	**Sub-total**	**Total**
Eastern China	1,905	275	2,180	697	178	875	3,055
Northern China	1,860	222	2,082	722	133	855	2,937
Southern China	1,943	130	2,073	695	148	843	2,916
Shandong and Henan	1,222	52	1,274	1,003	348	1,351	2,625
North-eastern China	1,145	98	1,243	572	68	640	1,883
North-western China	1,119	122	1,241	309	57	366	1,607
South-western China	1,030	91	1,121	346	10	356	1,477
Central China	856	91	947	311	36	347	1,294
Yunnan and Guizhou	631	22	653	223	69	292	945
Guangzhou	423	15	438	–	–	–	438
Total	12,134	1,118	13,252	4,878	1,047	5,925	19,177

Note: In addition, the Group operates 156 company-managed retail outlets in Hong Kong and Macau.

Financial Review

Pursuant to a special resolution passed on 8 September 2013, the Board has resolved to change the financial year end date of the Company from 31 December to 28 February (or 29 February in a leap year) to coincide with the natural retail cycle in the footwear and sportswear retail businesses. Accordingly, the current financial period covers a fourteen months period from 1 January 2013 to 28 February 2014 with the comparative period of the year from 1 January 2012 to 31 December 2012, which are not entirely comparable. For the purpose of enhancing the comparability of information, the Company has also voluntarily presented certain financial information for the fourteen months period from 1 January 2012 to 28 February 2013 as the direct comparative information. Comparative financial information in this section covers fourteen months period from 1 January 2012 to 28 February 2013 for a like-to-like comparison.

The Group continued to benefit from steady growth. During the fourteen months ended 28 February 2014, the Group recorded revenue and operating profit of RMB43,067.2 million and RMB6,634.0 million respectively, compared with the fourteen months ended 28 February 2013 achieving growth rate of 10.1% and 4.1% respectively. The profit attributable to the Company's equity holders during the period amounted to RMB5,159.1 million, an increase of 1.0% comparing with that of the fourteen months ended 28 February 2013.

Revenue

The Group's revenue increased by 10.1%, from RMB39,131.8 million for the fourteen months ended 28 February 2013 to RMB43,067.2 million for the fourteen months ended 28 February 2014. Revenue of the footwear business increased by 5.0%, from RMB25,125.3 million for the fourteen months ended 28 February 2013 to RMB26,392.3 million for the fourteen months ended 28 February 2014. It is attributable to the continually steady growth of sales generated from the footwear business as compared with the fourteen months ended 28 February 2013. The sportswear and apparel business increased by 19.1%, from RMB14,006.5 million for the fourteen months ended 28 February 2013 to RMB16,674.9 million for the fourteen months ended 28 February 2014. The relatively fast growth of the sportswear and apparel business was mainly due to the consolidation of the newly acquired business and relatively higher same store sales growth.

	Fourteen months ended 28 February				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**24,019.0**	**55.7%**	22,485.2	57.4%	6.8%
Distribution brands	**2,004.1**	**4.7%**	2,173.0	5.6%	(7.8%)
International trade	**369.2**	**0.9%**	467.1	1.2%	(21.0%)
Sub-total	**26,392.3**	**61.3%**	25,125.3	64.2%	5.0%
Sportswear and apparel					
First-tier sportswear brands*	**14,783.4**	**34.3%**	12,378.8	31.7%	19.4%
Second-tier sportswear brands*	**1,702.1**	**4.0%**	1,535.5	3.9%	10.8%
Other sportswear and apparel business	**189.4**	**0.4%**	92.2	0.2%	105.4%
Sub-total	**16,674.9**	**38.7%**	14,006.5	35.8%	19.1%
Total	**43,067.2**	**100.0%**	39,131.8	100.0%	10.1%

Unit: RMB million

* *The first-tier sportswear brands include Nike and Adidas. The second-tier sportswear brands include PUMA, Converse, Mizuno, etc. The first-tier sportswear brands and second-tier sportswear brands are classified according to the Group's relative sales amounts.*

Profitability

On account of the continuous growth of the Group's businesses, operating profit increased by 4.1% to RMB6,634.0 million for the fourteen months ended 28 February 2014. The profit attributable to the Company's equity holders increased by 1.0% to RMB5,159.1 million for the fourteen months ended 28 February 2014.

	Fourteen months ended 28 February					
	2014		2013		Growth rate	
	Footwear	**Sportswear and apparel**	Footwear	Sportswear and apparel	Footwear	Sportswear and apparel
Revenue	**26,392.3**	**16,674.9**	25,125.3	14,006.5	5.0%	19.1%
Costs of sales	**(8,395.9)**	**(10,088.2)**	(8,264.7)	(8,798.1)	1.6%	14.7%
Gross Profit	**17,996.4**	**6,586.7**	16,860.6	5,208.4	6.7%	26.5%
Gross profit margin	**68.2%**	**39.5%**	67.1%	37.2%		

Unit: RMB million

Cost of sales increased by 8.3% from RMB17,062.8 million for the fourteen months ended 28 February 2013 to RMB18,484.1 million for the fourteen months ended 28 February 2014. Gross profit in the Group's footwear segment increased by 6.7% to RMB17,996.4 million for the fourteen months ended 28 February 2014 from RMB16,860.6 million for the fourteen months ended 28 February 2013. Gross profit in the sportswear and apparel segment increased by 26.5% to RMB6,586.7 million for the fourteen months ended 28 February 2014 from RMB5,208.4 million for the fourteen months ended 28 February 2013.

Owing to differences in the respective business models, sportswear and apparel products generally have lower gross profit margin than footwear products. As a result of the increase in the gross profit margins of both the footwear business and the sportswear and apparel business, the Group's gross profit margin as a whole increased slightly to 57.1% for the fourteen months ended 28 February 2014 from 56.4% for the fourteen months ended 28 February 2013.

During the period, the gross profit margins of the footwear business and the sportswear and apparel business were 68.2% and 39.5% respectively. The gross profit margin of the footwear business was higher than that of the fourteen months ended 28 February 2013, due to three major reasons. First, the cost environment was moderate. With the gradual relocation of our manufacturing facilities to the inland areas, manufacturing labor cost on a per unit basis did not increase. Second, the promotional environment was normal in the department store channel. Third, the Group continued to improve on the business processes as well as organizational structure. As a result we were able to respond faster to market conditions, replenishing fast-moving products and clearing out slow-moving products on a timely basis, which supported healthy gross profit margins. The gross profit margin of the sportswear and apparel business was higher than the same period of last year by more than 2 percentage points because of two major reasons. First, the promotional environment was gradually normalized, resulting in less discounting. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost.

Selling and distribution expenses for the fourteen months ended 28 February 2014 amounted to RMB15,104.8 million (Fourteen months ended 28 February 2013: RMB13,220.0 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retails outlet decorations, and advertising and promotional expenses. General and administrative expenses for the fourteen months ended 28 February 2014 amounted to RMB3,279.8 million (Fourteen months ended 28 February 2013: RMB2,812.6 million), primarily consisting of management and administrative personnel salaries, depreciation charges on office premises and office equipment, and business surtaxes. In terms of percentage, the ratios of selling and distribution expenses, and general and administrative expenses to revenue were 35.1% (Fourteen months ended 28 February 2013: 33.8%) and 7.6% (Fourteen months ended 28 February 2013: 7.2%) respectively. Selling and distribution expenses, as a percentage of sales, were higher than that of the fourteen months ended 28 February 2013. The main reasons are as follows. First, for both the footwear business and the sportswear and apparel business, retail staff expenses, including wages and social security expenses, continued to rise. Second, weak same store sales growth and low productivity of new stores resulted in a small decline in average per-store sales productivity in the footwear business. General and administrative expenses, as a percentage of sales, were consistent with the same period of last year.

During the fourteen months ended 28 February 2014, Renminbi appreciated against Hong Kong dollars, together with the fact that the Group's bank borrowings are denominated in Hong Kong dollar, the Group recorded net foreign exchange gains of RMB26.7 million (Fourteen months ended 28 February 2013: RMB8.8 million) as a result.

Interest income increased from RMB354.4 million for the fourteen months ended 28 February 2013, to RMB421.9 million for the fourteen months ended 28 February 2014. It is mainly due to the increase in the Group's internal cash reserve during the fourteen months ended 28 February 2014, of which the balances of structured bank deposits, with higher interest rate earned, increased RMB1,579.9 million, from RMB5,746.0 million as at 31 December 2012 to RMB7,325.9 million as at 28 February 2014.

Interest expense decreased from RMB47.1 million for the fourteen months ended 28 February 2013, to RMB39.7 million for the fourteen months ended 28 February 2014. Despite the average balance of bank borrowings was higher for the fourteen months ended 28 February 2014, the average bank borrowing interest rates was lower than that of the fourteen months ended 28 February 2013, which resulted in a slight decrease in interest expense for the fourteen months ended 28 February 2014.

Income tax expense for the fourteen months ended 28 February 2014 amounted to RMB1,920.0 million (Fourteen months ended 28 February 2013: RMB1,618.3 million). The effective income tax rate increased by 3.0 percentage points to 27.2% for the fourteen months ended 28 February 2014 from 24.2% for the fourteen months ended 28 February 2013. The main reason is because He Zhong Apparel (Shenzhen) Limited ("He Zhong"), an important subsidiary of the Company in the footwear business, was subject to 50% reduction in the prevailing tax rate in the region in 2012. The preferential tax treatment which gave He Zhong an effective tax rate of 12.5% in 2012 expired at the end of 2012. From 2013 onward, He Zhong is subject to the full income tax rate of 25%. On the other hand, the corporate income tax rate for the other operating units of the footwear business and the sportswear and apparel business is approximately 25%. The income tax rate for the Hong Kong business is 16.5%.

Other Income

Other income amounted to RMB450.7 million for the fourteen months ended 28 February 2014 (Fourteen months ended 28 February 2013: RMB335.0 million) consists mainly of government incentives and rental income.

Capital Expenditure

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets. During the fourteen months ended 28 February 2014, the total capital expenditure was RMB1,767.7 million (Fourteen months ended 28 February 2013: RMB1,981.8 million).

Liquidity and Financial Resources

The Group maintains a strong and healthy balance sheet. As at 28 February 2014, the net working capital of the Group was RMB14,859.9 million, representing an increase of 8.0% as compared with 31 December 2012. As at 28 February 2014, the Group's gearing ratio was 7.3% (31 December 2012: 7.6%) (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets). As at 28 February 2014, the Group's current ratio was 3.5 times (31 December 2012: 3.3 times) (Current ratio is calculated by using the following formula: Current Assets / Current Liabilities).

During the period, net cash generated from operations increased by RMB771.1 million to RMB7,747.9 million from RMB6,976.8 million for the fourteen months ended 28 February 2013.

Net cash used in investing activities for the fourteen months ended 28 February 2014 was RMB3,379.2 million (Fourteen months ended 28 February 2013: RMB4,694.6 million). During the period, the Group invested RMB1,767.7 million, RMB708.2 million, RMB665.0 million, RMB624.5 million and RMB582.9 million on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights, investment properties and intangible assets, net deposit in structured bank deposits, prepayments for acquisition of subsidiaries, acquisition of subsidiaries (net of cash acquired) and acquisition of an associate respectively, partly offset by net decrease of RMB551.0 million in term deposit with initial terms over three months and interest received of RMB430.6 million.

During the period, net cash used in financing activities was RMB1,124.9 million (Fourteen months ended 28 February 2013: RMB964.9 million), mainly attributable to the payments of the 2012 final dividend of RMB674.7 million and the 2013 interim dividend of RMB674.7 million, partly offset by net proceeds of borrowings of RMB229.6 million.

As at 28 February 2014, the Group held bank balances and cash, structured bank deposits and term deposits with initial terms of over three months totaling RMB10,233.0 million (31 December 2012: RMB8,525.4 million), and was in a net cash position of RMB7,872.9 million (31 December 2012: RMB6,349.1 million) after netting off the short-term borrowings of RMB2,360.1 million (31 December 2012: RMB2,176.3 million).

Impact of the Macro Environment on the Group's Business Development

During the fourteen months ended 28 February 2014, the Group's business continued to be negatively affected by various factors in the macro environment.

First, with the economy continuing its structural rebalancing and slower growth becoming the new normal, consumer confidence has been low and consumer sentiment weak.

Second, retail channels continued to evolve rapidly. While the foot traffic in department stores was diluted, the fast-growing shopping mall channel and e-commerce channel have not become effective retail channels for quality footwear products.

Third, with an unusually warm winter last year and a very cold spring this year, sales performance of footwear and apparel products, being seasonal businesses, experienced strong headwinds over the past two quarters.

In addition to an unsupportive macro environment and sluggish consumer demand, businesses are also facing challenges of rising costs. Various costs and expenses, especially staff related costs and expenses, are expected to continue to rise. In the near term, the Group does not expect significant changes to our current situation of slow growth and margin pressure.

Review of the Footwear Business

In the fourteen months ended 28 February 2014, the footwear business of the Group recorded revenue growth of 5.0%, a rate significantly lower than prior years. There are three major reasons. First, same store sales growth was weak. Second, there was a slowdown in new store expansion. Third, lost revenues from the discontinuation of a brand could not be fully offset by a new distribution brand.

In the fourteen months ended 28 February 2014, the footwear business recorded a same store sales growth of about 0.6%. Average selling price was up slightly more than 2%, reflecting a benign promotional environment as well as the continued effort by the Group to improve retail operations and merchandising. Same store volume was slightly down, which was closely related to the weak foot traffic in the department store channel as well as overall sluggish consumer sentiment.

In the fourteen months ended 28 February 2014, store network expansion was back in the normal range. As a retailer we always prefer a reasonable and steady pace of store network expansion. When too many new stores are opened too rapidly, they are not going to be properly supported by existing human resources and managerial resources, resulting in low-quality new stores as well as performance dilution for the existing stores. When too few new stores are opened too slowly, there will be a negative impact on building the customer base of the Group and longer term competitiveness. In the next two to three years, the Group expects to maintain a reasonable and appropriate pace of network expansion. New store expansion will be mainly driven by the following factors. First, in the existing department stores we plan to increase the presence of our brands that are competitive and suitable. Second, we plan to actively increase the presence of our brands in shopping malls. Third, we will continue the development of new brands.

The gross profit margin of the footwear business was higher than the same period of last year, due to three major reasons. First, the cost environment was moderate. With the gradual relocation of our manufacturing facilities to the inland areas, manufacturing labor cost on a per unit basis did not increase. Second, the promotional environment was normalized in the department store channel. Third, the Group continued to improve on the business processes as well as organizational structure. As a result we were able to respond faster to market conditions, replenishing fast-moving products and clearing out slow-moving products on a timely basis, which supported healthy gross profit margins.

Selling and distribution expenses of the footwear business, as a percentage of sales, were higher than the same period of last year by more than 1 percentage point. On the one hand, weak same store sales growth and low productivity of new stores resulted in a small decline in average per-store sales productivity in the footwear business. Meanwhile, retail staff expenses, including wages and social security expenses, continued to rise.

General and administrative expenses, as a percentage of sales, were slightly higher than the same period of last year. This was mainly due to relatively slow sales growth in the fourteen months ended 28 February 2014, which was not enough to effectively offset the increase of various administrative expenses especially wage expenses.

In the fourteen months ended 28 February 2014, the profit margin of segment results for the footwear business was 22.7%, 0.8 percentage points lower than the same period of last year. A closer look at the trending shows that the profit margin of segment results for the footwear business of the Group was largely stable between 22% and 24% since the second half of 2012. Only in the first half of 2012 the profit margin of segment results for the footwear business was slightly above the normal historical range. In the foreseeable future, the Group does not expect material changes in the industry landscape or the cost structure, which will enable us to maintain a relatively steady profit margin.

Review of the Sportswear and Apparel Business

In the fourteen months ended 28 February 2014, the sportswear and apparel business recorded revenue growth of 19.1%, mostly driven by the following two factors. First, same store sales growth was relatively healthy. Second, the Big Step acquisition was completed in 2013 and its financials were consolidated since the second quarter of the year, contributing more than 10 percentage points of sales growth for the period.

In the sportswear and apparel business, same store sales growth was about 6% for the fourteen months ended 28 February 2014, with average selling price and volume contributing about half of the growth each. Both athletic footwear and athletic apparel categories were performing at similar levels.

In the fourteen months ended 28 February 2014, there were 451 net additions to the network of sportswear and apparel retail outlets. However, taking into account of the consolidation of Big Step with more than 500 stores, the number of retail outlets in the sportswear and apparel business actually experienced a small decline during the period. First, because of the discontinuation of a brand, we closed most of the stores under the brand during the period, involving over 200 stores. Second, because of the integration of the newly acquired business the Group underwent an optimization of its existing sportswear and apparel store network in the second and third quarters of 2013, resulting in the closure of a limited number of stores. The said optimization process was largely complete by the end of the third quarter in 2013. In the fourth quarter of 2013 the Group resumed normal expansions of sportswear and apparel retail outlets.

The gross profit margin of the sportswear and apparel business was higher than the same period of last year by more than 2 percentage points because of two major reasons. First, the destocking process was largely completed and the promotional environment was gradually normalized, resulting in less discounting and a normalization of overall retail markdown. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost.

Selling and distribution expenses of the sportswear and apparel business, as a percentage of sales, were higher than the same period of last year. This was mainly due to the fact that staff related expenses continued to rise. General and administrative expenses, as a percentage of sales, were consistent with the same period of last year.

The profit margin of segment results for the sportswear and apparel business was 4.8%, slightly better than the same period of last year. In the first half of 2013 profit margins were higher at over 5%, while in the second half margins were slightly lower. This was mainly because of the integration of the newly acquired Big Step business, with certain drags from the past, including excess inventory and a sub-optimal product mix, which were being digested mainly in the second half of 2013.

The Group believes that tier-one international sportswear brands such as Nike and Adidas are well positioned to strengthen their competitive advantage and capture the sustainable growth in the under-penetrated China market, on the back of strong brand equity, industry-leading R&D, broad product line and superior supply chain. As a major partner of these brands we have the confidence to continue to ramp up investment and improve quality of operations. We look forward to strengthening our partnership with the brand companies and achieving profitable, quality growth over the long run.

Changes in the Group's Business Mix

Because of significant differences in business model and profitability between the footwear segment and the sportswear and apparel segment, changes in the business mix i.e. the proportional weighting of the two business segments would usually drive changes in the blended financial metrics and operational metrics of the Group.

In the sportswear and apparel business we are only involved in distribution and retailing, while in the footwear business we operate along the whole value chain. Accordingly the sportswear and apparel business segment has significantly lower profitability, including gross profit margins and operating margins. Meanwhile without involvement in manufacturing the sportswear and apparel business has faster inventory turnover than the footwear business. The store format and location is also different in the sportswear and apparel business as compared with the footwear business. Generally speaking the sportswear and apparel stores are located on higher floors in department stores, with larger size and higher sales turnover on a per store basis. As a result the concessionaire rate is usually lower for sportswear and apparel stores and expenses such as staff expenses are also lower as a percentage of sales.

In the fourteen months ended 28 February 2014 the sportswear and apparel segment increased its revenue contribution to 38.7% from 35.8% in the same period last year. The change was mostly driven by the consolidation of Big Step in the second quarter of 2013, which stepped up the business scale of the sportswear and apparel business. The increase in the proportional weight of the sportswear and apparel business had a negative impact on blended profitability metrics of the Group.

In the long term, we expect the footwear business and the sportswear and apparel business to maintain relatively balanced growth, due to shared characteristics in sales channels, market penetration, and customer base.

Changes in Income Tax Rate

The effective income tax rate was 27.2% in the fourteen months ended 28 February 2014, higher from the same period of last year by 3.0 percentage points. The main reason is because He Zhong, a subsidiary of the Company in the footwear business, was subject to 50% reduction in the prevailing tax rate in the region in 2012. The preferential tax treatment which gave He Zhong an effective tax rate of 12.5% in 2012 expired at end of 2012. From 2013 He Zhong is subject to the full income tax rate of 25%.

From 2013, in Mainland China, the income tax rate for the footwear businesses as well as the sportswear and apparel business will remain at the current level of about 25%. The income tax rate for the Hong Kong business is expected to be steady at about 16.5%. The withholding tax rate applicable to the Company's subsidiaries in Mainland China on remittance of dividends to foreign holding companies is 5%.

While actively growing our business and creating shareholder value, the Group is also making a positive contribution to the society in promoting employment and developing local economies, which received warm welcome and recognition from various local governments. As a result we expect to receive a certain amount of government subsidies over the next few years. Government subsidies, while closely related to taxes paid by certain subsidiaries of the Company in specific regions, are usually recorded as other income, and will not directly offset income tax expense.

Inventory Turnover

The average inventory turnover days of the Group were 156.0 days in the fourteen months ended 28 February 2014, consistent with the same period last year.

The average inventory turnover days for the footwear business were 189.0 days, slightly higher than the same period last year. The main reason is that our factories in South China were not fully utilized at the end of February in 2013, which resulted in lower than usual inventory level. At the end of February in 2014 inventory was back to normal levels.

For the sportswear and apparel business, the average inventory turnover days were 128.6 days, slightly lower than the same period last year. The main reason is that sales performance in the quarter ended 28 February 2014 was robust for sportswear and apparel products, resulting in healthy inventory levels at the end of the season.

The inventory balance as at 28 February 2014 was RMB6,570.6 million, lower than the balance of RMB7,032.7 million as at 31 December 2012.

As at 28 February 2014 for both the footwear business and the sportswear and apparel business, inventory was within the normal range, both in terms of total quantities and in terms of product mix.

Organizational Structure and Human Resources

Over the past few years the wages and social security expenses for front-line workers of the Group increased dramatically. The pressure from higher staff expenses has been the number one factor behind the profitability decline of the Group. However, from a management point of view, we shouldn't be focused too much on controlling staff related expenses. Rather, we should be more concerned about maintaining the market competitiveness of our compensation packages. We should make sure the incentives are in place and well aligned with the objective of improving efficiency and productivity.

The motivation and initiative of our employees is to a large extent dependent on the effectiveness and fairness imbedded in the organizational structure. In light of growing business scale of the Group, heightened competition in the retail market, and increased differentiation of consumer behavior, we are actively pushing for change and optimization in the organizational structure of the Group. First, we will continue to strengthen the brand management teams at the headquarters to make sure there is well-defined accountability in managing a brand especially in the key areas of brand marketing, product development, and retail store image management. There will be increased coordination, better professional support, and more consistency for each and every brand. This will let our brand managers and teams become owners and guardians of their respective brands, making sure of the consistency of brand image and product quality, in order to cultivate a loyal customer base for the long haul. Second, we will continue to push more decentralization in retail operations by further dividing the business units into smaller ones and delegate major operational decision making to city-level management. By narrowing the managerial scope for decision makers we want to create the right foundation for better-quality detail-oriented management. Also the operational decision makers will be closer to the front line with better understanding of the local market and consumers. They will be in a better position to manage merchandising, marketing, and training on a localized basis and in a more timely and responsive manner.

On the back of a supportive organizational structure and well-defined accountability we will be in a position to refine the incentive scheme to make sure the front-line staff and key managers are sufficiently motivated and incentives are closely aligned to business performance. The Group believes that with the adjustments to organization and incentives we can further improve overall quality of management and the level of support to front-line employees. These efforts will help the Group rekindle the same kind of passion we had during our entrepreneurship journey to further develop the retail market in China.

In manufacturing the Group will continue to relocate some production capacity to the inland areas and gradually ramp up capacity in the Anhui production base. Due to differences in the labour pool between coastal and inland provinces, it is difficult to replicate the prevailing model in the coastal areas of one single production base with large capacity. It is more feasible to adopt a distributed model with a diversified portfolio of factories in various regions. As a result we will continue the construction of new facilities including the Tongren factory in Guizhou Province. On top of the geographical relocation of manufacturing resources, the Group is also pushing for further improvement in staff efficiency on production lines. Since the second half of 2013, we have been able to cut the headcount of manufacturing workers without compromising timely fulfillment of production orders. In the meantime, the Group is making further refinement and improvement to business processes to make sure product development, order placement, and fulfillment are better coordinated and synchronized, which also helps manufacturing resource planning and capacity utilization.

Strategic Investments and Partnerships

In the fourteen months ended 28 February 2014 the Group undertook two strategic investment and partnership projects.

The Baroque project is a first step for the Group to get involved in the ladies fashion apparel category. Baroque Japan Limited ("Baroque") is a leading fashion apparel company in product development and brand marketing with an established supply chain. The Group, on the other hand, has strong channel development, retail management, and logistic capabilities in China. This strategic partnership brings together synergies and complementary skills. Since the establishment of the China joint ventures at the end of 2013, we have achieved significant progress in team building and business integration. The quality of the China business has improved significantly. Regional penetration of the store network also picked up speedy. To get updates on the development of relevant brands please kindly follow the public weixin and weibo accounts of moussy China and SLY China.

The Longhao project was an effective addition to the brand portfolio of the Group. 龍浩天地股份有限公司 ("Longhao") has been diligently exploring the high-end casual footwear market in China for almost twenty years. The SKAP brand in its portfolio, with clear market positioning and consistent brand building, is the only visible domestic brand to directly compete with tier-one international brands in the high-end casual footwear market. This acquisition complements the Group's current portfolio of brands as it enables the Group to own and operate a proprietary brand in the high-end casual footwear segment. Due to the high-end market positioning of the SKAP brand, the Group plans to keep the business model of Longhao largely as is. At the same time the Group will provide support and assistance in the areas of channel development, retail management, supply chain, and logistics to help the SKAP brand further expand its coverage across different regions and different channels to achieve higher penetration, improve operational efficiencies and enhance profitability. The acquisition was completed in March 2014.

Strategies and Prospects

The macroeconomic outlook for the next two years is not optimistic. The consumer retail market is expected to be under continued pressure due to weak consumer sentiment. Retail channels continue to evolve at a rapid pace. Traditional retail channels including the street shops and department stores are under continued pressure due to dilution in foot traffic. New emerging channels have not been effectively utilized by fashion footwear and apparel retailers. A "new normal" state of lower growth is here to stay. Profitability, on the other hand, is also facing continued challenges. Faced with such unsupportive an environment, the Group will continue to work on the following key areas.

First, improve core competencies of the Group to maintain and enhance market competitiveness. There are a few key items to focus on in the next year or two. We will continue to push for organizational change and optimization in order to motivate and enable all employees of the Group in a coordinated effort to strengthen brand equity and improve quality of management. We are also committed to further improving the supply chain aimed at more responsive product development, leaner production, and enhanced quality of products. With a tightly synchronized replenishment mechanism we will be in a better position to support retail sales to end users. We are also in the process of planning the next generation information system. With an overhaul of the database, customer relations system, and analytics, we will try to use technology as an enabler to achieve better quality retail management. Meanwhile we are also planning to utilize popular social networking platforms to strengthen one-on-one relationships with our consumers and provide customized marketing. These efforts will also provide the technological foundation to enable the future integration of our online business and offline business.

Second, maintain the channel relevance of the Group by actively exploring emerging retail channels. For our own brands we need to achieve omni-channel penetration both offline and online, including department stores and shopping malls, including commercial streets and hyper markets, as well as proprietary and marketplace platforms online. From a brand building and business development point of view, a brand needs to have an active presence in whichever channel suitable for the specific brand. We will continue to invest in e-commerce and grow the yougou.com platform in an effort to build a leading vertical B2C platform specialized in high-quality fashion products. We will continue to actively develop the fast-growing shopping mall channel with differentiated store format offerings. In the high-profile shopping malls in core trade zones we will maintain the presence of mono-branded stores, aimed at increasing brand image recognition. In sub-CBD and community shopping malls we will be more focused on multi-brand stores. The main objective is to provide more choice of products in a larger space, improving the ability to attract foot traffic on a stand-alone basis. With differentiated product offerings we aim to provide a one-stop footwear destination for consumers. At the same time this store format has the potential to be more efficient because per-sqm rent is lower for a larger space and sales productivity is usually higher on a per person basis in a larger store.

Third, cultivate future growth areas by actively pursuing new brands and new businesses. We will continue to develop the :15MINS brand to expand our product offering into the mass market segment. Together with the integration and development of the SKAP business, we will be actively looking to introduce high-quality brands in the mid-to-high-end fashion footwear segment and high-end casual footwear segment. With the Baroque partnership as a pilot project, we are also actively making a category offense into ladies fashion apparel market.

The measures discussed above are mainly aimed at improving corporate capabilities and providing growth momentum in the long term. In and of themselves, these measures will not be able to provide short-term growth momentum, nor can they provide immediate solutions to the weakness in the overall market. But we believe that with the combined effort of all our cadres and all the employees, with our tradition of learning, passion, and change, we will be able to replicate the success of our entrepreneurship journey in a brand new era and create an evergreen business with excellence, vigor, and strength.

Pledge of Assets

As at 28 February 2014, no property, plant and equipment, land use rights and investment properties were pledged as security for banking facilities available to the Group (31 December 2012: nil).

Contingent Liabilities

As at 28 February 2014, the Group had no material contingent liabilities.

Human Resources

As at 28 February 2014, the Group had a total of 120,727 employees (31 December 2012: 116,263 employees). During the fourteen months ended 28 February 2014, total staff cost was RMB6,594.8 million (Fourteen months ended 28 February 2013: RMB5,605.1 million), accounting for 15.3% (Fourteen months ended 28 February 2013: 14.3%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

Change of Financial Year End Date

As announced on 8 September 2013, the Board resolved to change the financial year end date of the Company from 31 December to 28 February (or 29 February in a leap year). Accordingly, the first financial period of the Company after the change is the fourteen months ended 28 February 2014.

GENERAL INFORMATION

Proposed Final Dividend

The Board recommended the payment of a final dividend for the fourteen months ended 28 February 2014 of RMB12.0 cents (Year ended 31 December 2012: RMB8.0 cents) per ordinary share, totaling RMB1,012.1 million (Year ended 31 December 2012: RMB674.7 million). The proposed dividend payment is subject to approval by the shareholders of the Company at the annual general meeting to be held on Tuesday, 5 August 2014 and are payable in Hong Kong Dollars based on the official exchange rate of Renminbi against Hong Kong dollars as quoted by the People's Bank of China on 5 August 2014. Upon shareholders' approval, the proposed final dividend will be paid on or about Friday, 22 August 2014 to shareholders whose names appear on the register of members of the Company on Thursday, 14 August 2014.

Closure of Register of Members

The register of members of the Company will be closed as follows:

(a) For the purpose of ascertaining shareholder's eligibility to attend and vote at the annual general meeting to be held on Tuesday, 5 August 2014, the register of members of the Company will be closed from Friday, 1 August 2014 to Tuesday, 5 August 2014, both days inclusive. To be eligible to attend and vote at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on Thursday, 31 July 2014.

(b) The final dividend will be payable on or about Friday, 22 August 2014 to the shareholders whose names appear on the register of members of the Company on Thursday, 14 August 2014. For the purpose of ascertaining shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 12 August 2014 to Thursday, 14 August 2014, both days inclusive. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with Computershare Hong Kong Investor Services Limited no later than 4:30 p.m. on Monday, 11 August 2014.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the fourteen months ended 28 February 2014, except for the deviation from code provision A.6.7 (attendance of Non-executive Directors in general meetings) of the CG Code. Mr. Tang Yiu (Non-executive Director), Ms. Hu Xiaoling (Non-executive Director) and Dr. Xue Qiuzhi (Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on 28 May 2013 due to other personal commitments.

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") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors of the Company. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the fourteen months ended 28 February 2014.

Audit Committee

The primary responsibilities of the Audit Committee include (but without limitation) assisting Board to provide an independent review and supervision of the Group's financial reporting and to ensure the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, and to perform other duties and responsibilities as delegated by the Board.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Ho Kwok Wah, George, Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi. The chairman of the Audit Committee is Mr. Ho Kwok Wah, George who has a professional qualification in accountancy.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the financial statements and annual results for the fourteen months ended 28 February 2014.

Remuneration Committee

The primary responsibilities of the Remuneration Committee include (but without limitation) making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedures for developing such policies; determining the terms of specific remuneration package of the Directors and senior management; reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme upon authorization by the Board.

The Remuneration Committee has three members comprising Mr. Chan Yu Ling, Abraham, Mr. Sheng Baijiao and Dr. Xue Qiuzhi, two of whom are Independent Non-executive Directors. The chairman of the Remuneration Committee is Mr. Chan Yu Ling, Abraham.

Nomination Committee

The primary responsibilities of the Nomination Committee include (but without limitation) considering and recommending to the Board suitably qualified persons to become members of the Board, and reviewing the structure, size and composition of the Board on a regular basis and as and when required.

The Nomination Committee has three members comprising Dr. Xue Qiuzhi, Mr. Sheng Baijiao and Mr. Chan Yu Ling, Abraham, two of whom are Independent Non-executive Directors. The chairman of the Nomination Committee is Dr. Xue Qiuzhi.

Purchase, Sale and Redemption of the Company's Listed Securities

During the fourteen months ended 28 February 2014, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

Annual General Meeting

The annual general meeting of the Company will be held in Hong Kong on Tuesday, 5 August 2014. A notice of the annual general meeting will be issued and disseminated to shareholders in due course.

By Order of the Board
Belle International Holdings Limited
SHENG Baijiao
CEO & Executive Director

Hong Kong, 26 May 2014

As at the date of this announcement, the Executive Directors of the Company are Mr. Sheng Baijiao, Mr. Tang King Loy and Mr. Sheng Fang, the Non-executive Directors are Mr. Tang Yiu, Mr. Gao Yu and Ms. Hu Xiaoling, and the Independent Non-executive Directors are Mr. Ho Kwok Wah, George, Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi.

This annual results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.belleintl.com under the section of "Investor Relations / HKEx Filings" respectively. The annual report of the Company will be dispatched to the shareholders and will be available on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively in the due course.