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 YEAR ENDED 29 FEBRUARY 2016

FINANCIAL HIGHLIGHTS

		Year ended	
		29 February 2016	28 February 2015
Revenue	RMB million	**40,790.2**	40,008.1
Operating profit	RMB million	**4,201.5**	6,193.7
Operating profit before impairment of intangible assets	RMB million	**5,557.9**	6,193.7
Income tax expense	RMB million	**1,596.1**	1,850.6
Profit attributable to the Company's equity holders	RMB million	**2,934.1**	4,763.9
Gross profit margin	%	**56.3**	57.5
Operating profit margin	%	**10.3**	15.5
Operating profit margin before impairment of intangible assets	%	**13.6**	15.5
Profit margin attributable to the Company's equity holders	%	**7.2**	11.9
Earnings per share			
– basic	RMB cents	**35.86**	57.64
– diluted	RMB cents	**34.79**	56.38
Dividend per share			
– interim, paid	RMB cents	**16.00**	15.00
– interim special, paid	RMB cents	**—**	25.00
– final, proposed	RMB cents	**6.00**	19.00

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 (collectively, the "Group") for the year ended 29 February 2016, together with comparative information, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 29 FEBRUARY 2016

		Year ended	
		29 February 2016	28 February 2015
	Note	***RMB million***	*RMB million*
Revenue	3	**40,790.2**	40,008.1
Cost of sales		**(17,832.3)**	(16,998.0)
Gross profit		**22,957.9**	23,010.1
Selling and distribution expenses		**(14,345.8)**	(13,920.2)
General and administrative expenses		**(3,516.0)**	(3,296.3)
Other income	4	**484.5**	421.6
Other expenses		**(22.7)**	(21.5)
Impairment of intangible assets		**(1,356.4)**	—
Operating profit	5	**4,201.5**	6,193.7
Finance income		**379.1**	465.2
Finance costs		**(111.2)**	(79.3)
Finance income, net	6	**267.9**	385.9
Share of results of associates and a joint venture		**71.8**	21.8
Profit before income tax		**4,541.2**	6,601.4
Income tax expense	7	**(1,596.1)**	(1,850.6)
Profit for the year		**2,945.1**	4,750.8
Attributable to:			
Equity holders of the Company		**2,934.1**	4,763.9
Non-controlling interests		**11.0**	(13.1)
		2,945.1	4,750.8
Earnings per share attributable to equity holders of the Company for the year	8	***RMB cents***	*RMB cents*
– basic		**35.86**	57.64
– diluted		**34.79**	56.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2016

	Year ended	
	29 February 2016	28 February 2015
	RMB million	*RMB million*
Profit for the year	**2,945.1**	4,750.8
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to income statement:		
Exchange differences	**17.5**	(81.3)
Other comprehensive income/(loss) for the year	**17.5**	(81.3)
Total comprehensive income for the year	**2,962.6**	4,669.5
Attributable to:		
Equity holders of the Company	**2,951.6**	4,682.6
Non-controlling interests	**11.0**	(13.1)
	2,962.6	4,669.5

CONSOLIDATED BALANCE SHEET
AS AT 29 FEBRUARY 2016

		As at	
		29 February 2016	28 February 2015
	Note	***RMB million***	*RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,561.3**	4,141.5
Land use rights		**1,525.3**	1,557.8
Investment properties		**241.6**	317.1
Intangible assets		**2,582.8**	3,812.2
Interests in associates and a joint venture		**946.2**	633.1
Long-term deposits, prepayments and other assets		**393.4**	368.4
Deferred income tax assets		**457.7**	442.5
Structured bank deposits		—	530.0
		10,708.3	11,802.6
Current assets			
Inventories		**6,877.4**	6,349.4
Trade receivables	10	**4,326.9**	4,798.2
Deposits, prepayments and other receivables		**1,360.7**	1,200.3
Structured bank deposits		**4,629.8**	5,658.3
Term deposits with initial terms of over three months		**23.0**	20.0
Bank balances and cash		**3,128.7**	2,707.7
		20,346.5	20,733.9
Total assets		**31,054.8**	32,536.5

	Note	As at 29 February 2016 RMB million	28 February 2015 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		**15,778.9**	15,626.0
		25,076.1	24,923.2
Non-controlling interests		**209.9**	198.9
Total equity		**25,286.0**	25,122.1
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**122.5**	195.2
Deferred income		**50.9**	56.7
		173.4	251.9
Current liabilities			
Trade payables	11	**956.9**	1,012.5
Other payables, accruals and other liabilities		**2,112.0**	1,881.1
Short-term borrowings	12	**860.6**	2,658.2
Current income tax liabilities		**1,665.9**	1,610.7
		5,595.4	7,162.5
Total liabilities		**5,768.8**	7,414.4
Total equity and liabilities		**31,054.8**	32,536.5

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2016

	Year ended	
	29 February 2016	28 February 2015
	RMB million	*RMB million*
Cash flows from operating activities		
Net cash generated from operations	**6,772.1**	6,892.2
Income tax paid	**(1,628.8)**	(1,448.2)
Net cash generated from operating activities	**5,143.3**	5,444.0
Cash flows from investing activities		
Acquisition of an associate	**(200.5)**	—
Acquisition of a business	**(284.4)**	—
Acquisition of subsidiaries, net of cash acquired	—	28.2
Payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets	**(1,360.5)**	(1,498.0)
Proceeds from disposal of property, plant and equipment, and land use rights	**39.9**	60.7
Placement of structured bank deposits	**(14,931.4)**	(29,401.6)
Proceeds from maturity of structured bank deposits	**16,448.3**	29,747.9
(Increase)/decrease in term deposits with initial terms of over three months	**(3.0)**	60.0
Interest received	**481.7**	401.6
Net cash generated from/(used in) investing activities	**190.1**	(601.2)
Cash flows from financing activities		
Dividends paid	**(2,952.0)**	(4,385.8)
Interest paid	**(45.9)**	(36.2)
Capital contribution from non-controlling interests	—	65.9
Proceeds from borrowings	**5,498.8**	4,740.1
Repayments of borrowings	**(7,360.1)**	(4,488.8)
Payments for purchase of shares for share award scheme	—	(1,716.1)
Net cash used in financing activities	**(4,859.2)**	(5,820.9)
Net increase/(decrease) in cash and cash equivalents	**474.2**	(978.1)
Cash and cash equivalents at beginning of the year	**2,730.7**	3,705.0
Exchange gains on cash and cash equivalents	**7.8**	3.8
Cash and cash equivalents at end of the year	**3,212.7**	2,730.7

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 24 May 2016.

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 years presented, unless otherwise stated.

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards (“IFRS”). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are measured at fair value, as appropriate.

(a) Effect of adopting amendments to standards

The following amendments to standards are mandatory for accounting periods beginning on or after 1 March 2015, the adoption of which does not have any significant impact to the results and financial position of the Group.

IFRSs (amendment)	Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle
IAS 19 (2011) (amendment)	Defined benefit plans: employee contributions

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosure of certain information in the consolidated financial statements.

(c) New standards and amendments to standards that have been issued but are not effective

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 March 2016 and have not been early adopted by the Group:

IFRSs (amendment)	Annual improvements to IFRSs 2012-2014 cycle [1]
IFRS 9 (2014)	Financial instruments [2]
IFRS 10 and IAS 28 (amendment)	Sale or contribution of assets between an investor and its associates or joint venture [4]
IFRS 10, IFRS 12 and IAS 28 (2011) (amendment)	Investment entities: applying the consolidation exception [1]
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations [1]
IFRS 14	Regulatory deferral accounts [1]
IFRS 15	Revenue from contracts with customers [2]
IFRS 16	Leases [3]
IAS 1 (amendment)	Disclosure initiative [1]
IAS 16 and IAS 38 (amendment)	Acceptable methods of depreciation and amortization [1]
IAS 16 and IAS 41 (amendment)	Agriculture: Bearer plants [1]
IAS 27 (2011) (amendment)	Equity method in separate financial statements [1]

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

(2) Effective for the Group for annual period beginning on 1 March 2018.

(3) Effective for the Group for annual period beginning on 1 March 2019.

(4) Effective date to be determined.

Management is still assessing the impact on adoption of the above new standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

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.

	Year ended 29 February 2016				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	**21,074.2**	**19,495.0**	**40,569.2**	—	**40,569.2**
Commissions from concessionaire sales	—	**221.0**	**221.0**	—	**221.0**
	21,074.2	**19,716.0**	**40,790.2**	—	**40,790.2**
Results of reportable segments	**3,943.9**	**1,742.4**	**5,686.3**	—	**5,686.3**

Reconciliation of results of reportable segments to profit for the year

Results of reportable segments	**5,686.3**
Amortization of intangible assets	**(90.6)**
Impairment of intangible assets	**(1,356.4)**
Unallocated income	**41.0**
Unallocated expenses	**(78.8)**
Operating profit	**4,201.5**
Finance income	**379.1**
Finance costs	**(111.2)**
Share of results of associates and a joint venture	**71.8**
Profit before income tax	**4,541.2**
Income tax expense	**(1,596.1)**
Profit for the year	**2,945.1**

	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Other segment information					
Depreciation on property, plant and equipment	**600.1**	**324.2**	**924.3**	**33.0**	**957.3**
Amortization of land use rights	**6.9**	**3.7**	**10.6**	**17.8**	**28.4**
Depreciation on investment properties	—	—	—	**8.1**	**8.1**
Amortization of intangible assets	**52.3**	**38.3**	**90.6**	—	**90.6**
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(8.0)**	**0.7**	**(7.3)**	—	**(7.3)**
Write-off of property, plant and equipment	**9.1**	**1.7**	**10.8**	—	**10.8**
Impairment losses of inventories	**94.6**	**32.4**	**127.0**	—	**127.0**
Impairment of intangible assets	**1,356.4**	—	**1,356.4**	—	**1,356.4**
Employee share-based compensation expenses	**84.3**	**69.0**	**153.3**	—	**153.3**
Additions to non-current assets (excluding acquisition of a business and an associate)	**525.6**	**469.6**	**995.2**	**365.3**	**1,360.5**

	Year ended 28 February 2015				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	23,037.0	16,775.1	39,812.1	—	39,812.1
Commissions from concessionaire sales	—	196.0	196.0	—	196.0
	23,037.0	16,971.1	40,008.1	—	40,008.1
Results of reportable segments	5,087.8	1,212.8	6,300.6	—	6,300.6

Reconciliation of results of reportable segments to profit for the year

Results of reportable segments	6,300.6
Amortization of intangible assets	(87.7)
Unallocated income	41.3
Unallocated expenses	(60.5)
Operating profit	6,193.7
Finance income	465.2
Finance costs	(79.3)
Share of results of associates and a joint venture	21.8
Profit before income tax	6,601.4
Income tax expense	(1,850.6)
Profit for the year	4,750.8

	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
Other segment information					
Depreciation on property, plant and equipment	603.2	325.8	929.0	24.0	953.0
Amortization of land use rights	15.0	3.7	18.7	17.5	36.2
Depreciation on investment properties	—	—	—	8.1	8.1
Amortization of intangible assets	49.4	38.3	87.7	—	87.7
Loss on disposal of property, plant and equipment and land use rights	0.9	0.9	1.8	—	1.8
Write-off of property, plant and equipment	6.0	3.5	9.5	—	9.5
Impairment losses of inventories	82.6	7.7	90.3	—	90.3
Employee share-based compensation expenses	84.3	69.0	153.3	—	153.3
Additions to non-current assets (excluding acquisition of subsidiaries)	871.7	541.8	1,413.5	84.5	1,498.0

	As at 29 February 2016				
	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	**12,338.1**	**7,448.5**	**19,786.6**	**—**	**19,786.6**
Goodwill	**782.2**	**1,020.6**	**1,802.8**	**—**	**1,802.8**
Other intangible assets	**377.8**	**402.2**	**780.0**	**—**	**780.0**
Inter-segment balances elimination	**(1,428.3)**	**—**	**(1,428.3)**	**—**	**(1,428.3)**
	12,069.8	**8,871.3**	**20,941.1**	**—**	**20,941.1**
Investment properties	**—**	**—**	**—**	**241.6**	**241.6**
Term deposits with initial terms of over three months	**—**	**—**	**—**	**23.0**	**23.0**
Structured bank deposits	**—**	**—**	**—**	**4,629.8**	**4,629.8**
Deferred income tax assets	**—**	**—**	**—**	**457.7**	**457.7**
Interests in associates and a joint venture	**—**	**—**	**—**	**946.2**	**946.2**
Other corporate assets	**—**	**—**	**—**	**3,815.4**	**3,815.4**
Total assets per consolidated balance sheet	**12,069.8**	**8,871.3**	**20,941.1**	**10,113.7**	**31,054.8**
Segment liabilities	**1,867.6**	**2,627.7**	**4,495.3**	**—**	**4,495.3**
Inter-segment balances elimination	**—**	**(1,428.3)**	**(1,428.3)**	**—**	**(1,428.3)**
	1,867.6	**1,199.4**	**3,067.0**	**—**	**3,067.0**
Short-term borrowings	**—**	**—**	**—**	**860.6**	**860.6**
Current income tax liabilities	**—**	**—**	**—**	**1,665.9**	**1,665.9**
Deferred income tax liabilities	**—**	**—**	**—**	**122.5**	**122.5**
Other corporate liabilities	**—**	**—**	**—**	**52.8**	**52.8**
Total liabilities per consolidated balance sheet	**1,867.6**	**1,199.4**	**3,067.0**	**2,701.8**	**5,768.8**

	As at 28 February 2015				
	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	13,829.4	7,206.0	21,035.4	—	21,035.4
Goodwill	1,909.6	1,020.6	2,930.2	—	2,930.2
Other intangible assets	650.0	232.0	882.0	—	882.0
Inter-segment balances elimination	(2,052.8)	—	(2,052.8)	—	(2,052.8)
	14,336.2	8,458.6	22,794.8	—	22,794.8
Investment properties	—	—	—	317.1	317.1
Term deposits with initial terms of over three months	—	—	—	20.0	20.0
Structured bank deposits	—	—	—	6,188.3	6,188.3
Deferred income tax assets	—	—	—	442.5	442.5
Interests in associates and a joint venture	—	—	—	633.1	633.1
Other corporate assets	—	—	—	2,140.7	2,140.7
Total assets per consolidated balance sheet	14,336.2	8,458.6	22,794.8	9,741.7	32,536.5
Segment liabilities	1,934.6	3,046.2	4,980.8	—	4,980.8
Inter-segment balances elimination	—	(2,052.8)	(2,052.8)	—	(2,052.8)
	1,934.6	993.4	2,928.0	—	2,928.0
Short-term borrowings	—	—	—	2,658.2	2,658.2
Current income tax liabilities	—	—	—	1,610.7	1,610.7
Deferred income tax liabilities	—	—	—	195.2	195.2
Other corporate liabilities	—	—	—	22.3	22.3
Total liabilities per consolidated balance sheet	1,934.6	993.4	2,928.0	4,486.4	7,414.4

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:

	Year ended 29 February 2016 *RMB million*	Year ended 28 February 2015 *RMB million*
Revenue		
The PRC	**39,469.6**	38,542.6
Hong Kong and Macau	**1,004.6**	1,105.3
Other locations	**316.0**	360.2
	40,790.2	40,008.1

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 29 February 2016				
Non-current assets				
Property, plant and equipment	**4,253.3**	**308.0**	—	**4,561.3**
Land use rights	**1,525.3**	—	—	**1,525.3**
Investment properties	**195.0**	**46.6**	—	**241.6**
Intangible assets	**2,582.8**	—	—	**2,582.8**
Interests in associates and a joint venture	**117.8**	—	**828.4**	**946.2**
Long-term deposits, prepayments and other assets	**315.9**	**44.3**	**33.2**	**393.4**
As at 28 February 2015				
Non-current assets				
Property, plant and equipment	3,833.2	308.3	—	4,141.5
Land use rights	1,557.8	—	—	1,557.8
Investment properties	271.0	46.1	—	317.1
Intangible assets	3,740.4	71.8	—	3,812.2
Interests in associates and a joint venture	114.4	—	518.7	633.1
Long-term deposits, prepayments and other assets	287.1	45.6	35.7	368.4

4 OTHER INCOME

	Year ended 29 February 2016 RMB million	28 February 2015 RMB million
Rental income	**41.0**	41.3
Government incentives *(note)*	**443.5**	380.3
	484.5	421.6

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

5 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Year ended 29 February 2016 RMB million	28 February 2015 RMB million
Cost of inventories recognized as expenses included in cost of sales *(note (a))*	**17,697.6**	16,904.9
Depreciation on property, plant and equipment	**957.3**	953.0
Amortization of land use rights	**28.4**	36.2
Depreciation on investment properties	**8.1**	8.1
Amortization of intangible assets	**90.6**	87.7
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**8,264.6**	8,364.9
Staff costs (including directors' emoluments)	**6,979.0**	6,453.5
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(7.3)**	1.8
Write-off of property, plant and equipment	**10.8**	9.5
Impairment losses of inventories	**127.0**	90.3
Impairment of intangible assets *(note (b))*	**1,356.4**	—
Auditor's remuneration	**11.5**	9.9

Notes:

(a) Cost of inventories recognized as expenses mainly include purchases, direct employee compensation costs, subcontracting costs and manufacturing overheads.

(b) During the year ended 29 February 2016, consumer retail conditions in Mainland China, Hong Kong and Macau continued to deteriorate. The footwear business of the Group experienced an acceleration of sales decline, especially in the second half of the year, when same store sales has dropped further, together with a shrinkage in profit margin when comparing with the first half of the year. The deteriorating performance in the footwear business has resulted in an impairment of its intangible assets for a total of RMB1,356.4 million, including impairment of goodwill and other intangible assets of RMB1,127.4 million and RMB229.0 million respectively. These goodwill and related other intangible assets were mainly recognized from the previous acquisitions of Mirabell, Millie's, SKAP and others.

6 FINANCE INCOME, NET

	Year ended 29 February 2016 RMB million	28 February 2015 RMB million
Interest income from bank deposits	**36.5**	29.5
Interest income from structured bank deposits	**342.6**	435.7
Finance income	**379.1**	465.2
Interest expense on short-term bank borrowings	**(45.9)**	(36.2)
Net foreign exchange losses	**(65.3)**	(43.1)
Finance costs	**(111.2)**	(79.3)
Finance income, net	**267.9**	385.9

7 INCOME TAX EXPENSE

	Year ended 29 February 2016 RMB million	28 February 2015 RMB million
Current income tax		
– PRC corporate income tax	**1,679.3**	1,846.2
– Hong Kong profits tax	**7.0**	13.0
– Macau income tax	**3.4**	5.8
Over-provision in prior years		
– PRC corporate income tax	**(5.3)**	(2.4)
– Hong Kong profits tax	**(0.1)**	(0.2)
– Macau income tax	**(0.3)**	—
Deferred income tax	**(87.9)**	(11.8)
	1,596.1	1,850.6

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 year.

		Year ended	
		29 February 2016	28 February 2015
Profit attributable to equity holders of the Company	*RMB million*	**2,934.1**	4,763.9
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of shares*	**8,181,233**	8,265,531
Basic earnings per share	*RMB cents*	**35.86**	57.64

Diluted

The awarded shares granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company. No adjustment is made to earnings for the year.

		Year ended	
		29 February 2016	28 February 2015
Profit attributable to equity holders of the Company	*RMB million*	**2,934.1**	4,763.9
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of shares*	**8,181,233**	8,265,531
Adjustment for awarded shares granted	*thousand of shares*	**253,000**	183,685
Weighted average number of ordinary shares for the purpose of diluted earnings per share	*thousand of shares*	**8,434,233**	8,449,216
Diluted earnings per share	*RMB cents*	**34.79**	56.38

9 DIVIDENDS

	Year ended	
	29 February 2016	28 February 2015
	RMB million	*RMB million*
Interim dividend, paid, of RMB16.0 cents (2015: RMB15.0 cents) per ordinary share *(note (b) and (d))*	**1,349.5**	1,265.1
No payment of interim special dividend (2015: interim special dividend, paid, of RMB25.0 cents per ordinary share) *(note (d))*	—	2,108.6
Final dividend, proposed, of RMB6.0 cents (2015: RMB19.0 cents) per ordinary share *(note (a) and (c))*	**506.1**	1,602.5
	1,855.6	4,976.2

Notes:

(a) At a meeting held on 24 May 2016, the directors recommended a final dividend of RMB6.0 cents per ordinary share (totaling RMB506.1 million) for the year ended 29 February 2016. 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 2017.

(b) At a meeting held on 26 October 2015, the directors declared an interim dividend of RMB16.0 cents per ordinary share (totaling RMB1,349.5 million) for the year ended 29 February 2016, which was paid during the year and has been reflected as an appropriation of retained earnings for the year ended 29 February 2016.

(c) At a meeting held on 26 May 2015, the directors recommended a final dividend of RMB19.0 cents per ordinary share (totaling RMB1,602.5 million) for the year ended 28 February 2015, which was paid during the year and has been reflected as an appropriation of retained earnings for the year ended 29 February 2016.

(d) At a meeting held on 27 October 2014, the directors declared an interim dividend of RMB15.0 cents per ordinary share (totaling RMB1,265.1 million) and an interim special dividend of RMB25.0 cents per ordinary share (totaling RMB2,108.6 million) for the year ended 28 February 2015, which were paid and have been reflected as an appropriation of retained earnings for the year ended 28 February 2015.

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 29 February 2016, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	29 February 2016	28 February 2015
	RMB million	*RMB million*
0 to 30 days	**4,202.8**	4,632.5
31 to 60 days	**74.8**	77.3
61 to 90 days	**20.2**	32.1
Over 90 days	**29.1**	56.3
	4,326.9	4,798.2

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 29 February 2016, the aging analysis of trade payables is as follows:

	As at	
	29 February 2016	28 February 2015
	RMB million	*RMB million*
0 to 30 days	**694.0**	852.3
31 to 60 days	**228.4**	137.8
Over 60 days	**34.5**	22.4
	956.9	1,012.5

The carrying amounts of trade payables approximate their fair values.

12 SHORT-TERM BORROWINGS

(a) As at 29 February 2016, the Group's short-term borrowings comprised short-term bank borrowings and other short-term borrowings of RMB336.6 million (2015: RMB2,658.2 million) and RMB524.0 million (2015: Nil), which are denominated in HK$ and RMB, respectively.

(b) As at 29 February 2016, the Group's short-term bank borrowings are unsecured and carrying interest at floating rates with weighted average effective interest rate of 1.17% (2015: 1.46%) per annum. The carrying amount of the Group's short-term bank borrowings are denominated in Hong Kong dollars and approximate their fair values.

(c) As at 29 February 2016, the Group's other short-term borrowings were secured by certain structured bank deposits of RMB524.0 million (2015: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business is broadly 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, Joy & Peace, Millie's, SKAP, :15MINS, Jipi Japa, Mirabell, etc. Distribution brands mainly include Bata, Clarks, Hush Puppies, Mephisto, 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 retail distribution, including first-tier sportswear brands Nike and Adidas, second-tier sportswear brands PUMA, Converse, etc. and apparel brands moussy, SLY, etc.

The following table sets out the distribution of company-managed retail outlets of the Group by region and by business segment in Mainland China as at 29 February 2016.

	Number of Company-managed Retail Outlets							
	Footwear			Sportswear and apparel				
Region	**Company-owned brands**	**Distribution brands**	**Sub-total**	**First-tier brands**	**Second-tier brands**	**Apparel**	**Sub-total**	**Total**
Northern China	1,997	255	2,252	972	192	30	1,194	3,446
Eastern China	2,022	326	2,348	733	228	52	1,013	3,361
Southern China	2,089	165	2,254	764	179	24	967	3,221
Shandong and Henan	1,150	54	1,204	1,186	324	3	1,513	2,717
North-eastern China	1,136	98	1,234	676	71	7	754	1,988
North-western China	1,075	125	1,200	337	57	2	396	1,596
South-western China	1,040	82	1,122	398	47	18	463	1,585
Central China	963	117	1,080	409	85	8	502	1,582
Yunnan and Guizhou	576	17	593	241	63	5	309	902
Guangzhou	457	18	475	—	—	—	—	475
Total	12,505	1,257	13,762	5,716	1,246	149	7,111	20,873

Note: In addition, the Group operates 144 company-managed retail outlets in Hong Kong and Macau.

FINANCIAL REVIEW

During the year ended 29 February 2016, the Group recorded revenue of RMB40,790.2 million, an increase of 2.0% comparing with that of the year ended 28 February 2015. The Group recorded operating profit of RMB4,201.5 million, a decrease of 32.2% comparing with that of the year ended 28 February 2015. Excluding the one-off impairment of goodwill and other intangible assets of the footwear business, operating profit decreased by 10.3% from last year. The profit attributable to the Company's equity holders during the year amounted to RMB2,934.1 million, a decrease of 38.4% comparing with that of the year ended 28 February 2015.

REVENUE

The Group's revenue increased by 2.0%, from RMB40,008.1 million for the year ended 28 February 2015 to RMB40,790.2 million for the year ended 29 February 2016. Revenue of the footwear business decreased by 8.5%, from RMB23,037.0 million for the year ended 28 February 2015 to RMB21,074.2 million for the year ended 29 February 2016. It is mainly due to the decline in the same store sales. Revenue of the sportswear and apparel business increased by 16.2%, from RMB16,971.1 million for the year ended 28 February 2015 to RMB19,716.0 million for the year ended 29 February 2016. The relatively fast growth of the sportswear and apparel business was mainly due to the relatively higher same store sales growth and a healthy expansion of the retail network.

	Year ended				
	29 February 2016		28 February 2015		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**18,652.4**	**45.7%**	20,577.9	51.4%	(9.4%)
Distribution brands	**2,105.8**	**5.2%**	2,098.9	5.3%	0.3%
International trade	**316.0**	**0.8%**	360.2	0.9%	(12.3%)
Sub-total	**21,074.2**	**51.7%**	23,037.0	57.6%	(8.5%)
Sportswear and apparel					
First-tier sportswear brands*	**16,945.3**	**41.5%**	14,881.9	37.2%	13.9%
Second-tier sportswear brands*	**1,954.2**	**4.8%**	1,597.8	4.0%	22.3%
Other sportswear and apparel business	**816.5**	**2.0%**	491.4	1.2%	66.2%
Sub-total	**19,716.0**	**48.3%**	16,971.1	42.4%	16.2%
Total	**40,790.2**	**100.0%**	40,008.1	100.0%	2.0%

Unit: RMB million

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

PROFITABILITY

The Group's operating profit decreased by 32.2% to RMB4,201.5 million for the year ended 29 February 2016. Excluding the one-off impairment of goodwill and other intangible assets of the footwear business, operating profit decreased by 10.3% from last year. The profit attributable to the Company's equity holders decreased by 38.4% to RMB2,934.1 million for the year ended 29 February 2016.

	Year ended					
	29 February 2016		28 February 2015		Growth rate	
	Footwear	**Sportswear and apparel**	Footwear	Sportswear and apparel	Footwear	Sportswear and apparel
Revenue	**21,074.2**	**19,716.0**	23,037.0	16,971.1	(8.5%)	16.2%
Cost of sales	**(6,887.0)**	**(10,945.3)**	(7,253.7)	(9,744.3)	(5.1%)	12.3%
Gross Profit	**14,187.2**	**8,770.7**	15,783.3	7,226.8	(10.1%)	21.4%
Gross profit margin	**67.3%**	**44.5%**	68.5%	42.6%		

Unit: RMB million

Cost of sales increased by 4.9% from RMB16,998.0 million for the year ended 28 February 2015 to RMB17,832.3 million for the year ended 29 February 2016. Gross profit in the Group's footwear segment decreased by 10.1% to RMB14,187.2 million for the year ended 29 February 2016 from RMB15,783.3 million for the year ended 28 February 2015. Gross profit in the sportswear and apparel segment increased by 21.4% to RMB8,770.7 million for the year ended 29 February 2016 from RMB7,226.8 million for the year ended 28 February 2015.

During the year, the gross profit margins of the footwear business and the sportswear and apparel business were 67.3% and 44.5% respectively. The gross profit margin of the footwear business decreased by 1.2 percentage points comparing with that of the year ended 28 February 2015. The main reason was that the Group in the second half of the year, especially with the winter collection, experienced significant erosion in gross profit margins. On the one hand, market demand was weaker than expected. On the other hand, the weather was unusual last winter, it was warm at the beginning but cold later. Higher priced winter boots were not selling well at the time of new arrival. Overall volume was tilted toward the end of the season, when there was more discounting. As a result gross profit margin was negatively affected. The gross profit margin of the sportswear and apparel business was higher than last year by 1.9 percentage points. The increase of gross profit margin is mainly due to strong market demand and tight inventories, resulting in lower retail markdown and a higher portion of sales coming from new collections.

Selling and distribution expenses for the year ended 29 February 2016 amounted to RMB14,345.8 million (2015: RMB13,920.2 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retail outlets decorations, and advertising and promotional expenses. In terms of percentage, the ratio of selling and distribution expenses to revenue was 35.2% (2015: 34.8%). Selling and distribution expenses of the footwear business, as a percentage of revenue, were higher than that of the year ended 28 February 2015. This was mainly due to the decline in same store sales as well as overall sales. Although rental expenses and concessionaire fees were mostly variable in nature, wages and benefits were still rising, while store decoration and other operational expenses were mostly fixed. An operating deleverage resulted in higher expenses as a percentage of revenue. For sportswear and apparel business, the selling and distribution expenses, as a percentage of revenue, was fairly stable when comparing with last year. Although staff wages continue to climb, same store sales growth was strong enough to mostly offset higher expenses.

General and administrative expenses for the year ended 29 February 2016 amounted to RMB3,516.0 million (2015: RMB3,296.3 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 ratio of general and administrative expenses to revenue was 8.6% (2015: 8.2%). General and administrative expenses of the footwear business, as a percentage of revenue, were higher than last year. The main reason was that general and administrative expenses were mostly fixed. An operating deleverage resulted in higher expenses as a percentage of revenue. For sportswear and apparel business, the general and administrative expenses, as a percentage of revenue, was fairly stable when comparing with last year.

Interest income decreased from RMB465.2 million for the year ended 28 February 2015 to RMB379.1 million for the year ended 29 February 2016. It is mainly due to the balance of structured bank deposits, with higher interest rate earned, decreased RMB1,558.5 million from RMB6,188.3 million as at 28 February 2015 to RMB4,629.8 million as at 29 February 2016.

Interest expense increased from RMB36.2 million for the year ended 28 February 2015 to RMB45.9 million for the year ended 29 February 2016. Although the balance of the short-term borrowings decreased from RMB2,658.2 million as at 28 February 2015, to RMB860.6 million as at 29 February 2016, the majority of repayments incurred in the second half of the year. Also, the average balance of borrowings for the year ended 29 February 2016 was higher than last year, which resulted in a slight increase in interest expense.

During the year ended 29 February 2016, Renminbi depreciated 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 losses of RMB65.3 million (2015: RMB43.1 million) as a result.

Income tax expense for the year ended 29 February 2016 amounted to RMB1,596.1 million (2015: RMB1,850.6 million). The effective income tax rate increased by 7.1 percentage points to 35.1% for the year ended 29 February 2016 from 28.0% for the year ended 28 February 2015. Excluding the one-off impairment of goodwill of the footwear business during the year, which was not deductible for tax purposes, the effective income tax rate was 28.2%. The income tax rate for the footwear business and the sportswear and apparel business of the Group in Mainland China is approximately 25%. The income tax rate for the Hong Kong business is 16.5%.

OTHER INCOME

Other income amounted to RMB484.5 million for the year ended 29 February 2016 (2015: RMB421.6 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 and intangible assets. For the year ended 29 February 2016, the total capital expenditure was RMB1,360.5 million (2015: RMB1,498.0 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 29 February 2016, the net working capital of the Group was RMB14,751.1 million, representing an increase of 8.7% as compared with 28 February 2015. As at 29 February 2016, the Group's gearing ratio was 2.8% (2015: 8.2%) (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets). As at 29 February 2016, the Group's current ratio was 3.6 times (2015: 2.9 times) (Current ratio is calculated by using the following formula: Current Assets / Current Liabilities).

Net cash generated from operations decreased by RMB120.1 million to RMB6,772.1 million for the year ended 29 February 2016 from RMB6,892.2 million for the year ended 28 February 2015.

Net cash generated from investing activities for the year ended 29 February 2016 was RMB190.1 million (2015: net cash used RMB601.2 million). The Group has net uplift of structured bank deposits of RMB1,516.9 million and interest received of RMB481.7 million, partly offset by the investment of RMB1,360.5 million in payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights and intangible assets, RMB284.4 million in acquisition of REPLAY business and RMB200.5 million in acquisition of an associate.

During the year, net cash used in financing activities was RMB4,859.2 million (2015: RMB5,820.9 million), mainly attributable to the net repayment of borrowings of RMB1,861.3 million, payments of the 2014/15 final dividend of RMB1,602.5 million and the 2015/16 interim dividend of RMB1,349.5 million by the Group during the year.

As at 29 February 2016, the Group held bank balances and cash, structured bank deposits and term deposits with initial terms of over three months totaling RMB7,781.5 million (2015: RMB8,916.0 million), after netting off the short-term borrowings of RMB860.6 million (2015: RMB2,658.2 million), it was in a net cash position of RMB6,920.9 million (2015: RMB6,257.8 million).

IMPACT OF THE MACRO ENVIRONMENT ON THE GROUP'S BUSINESS DEVELOPMENT

In 2015, China's economic growth continued to lose momentum. GDP grew by 6.9% for the year. Average nominal disposable income of urban residents grew by 8.2%. Aggregate retail value of social consumer goods grew by 10.7%. Coming into the first quarter of 2016 macroeconomic growth slowed down further. GDP grew by 6.7% for the quarter. Average nominal disposable income of urban residents grew by 8.0%. Aggregate retail value of social consumer goods grew by 10.3%.

According to the National Commercial Information Center of China, the top 100 retailers experienced a decline of 0.1% in merchandise sales in 2015. The growth momentum, 0.5 percentage points lower from last year, had been on the decline for the fourth consecutive year since 2012. In the first quarter of 2016, merchandise sales of the top 100 retailers further declined by 4.8%. The prevailing weakness in the consumer retail market is not expected to improve in the near term.

Since the second half of 2015, there has been considerable turmoil in the domestic capital markets. The Group cannot underestimate the negative wealth effect on consumer sentiment on an ongoing basis. Recently there was also a significant rally in real estate prices in the first tier and second tier cities, which weighs on the negative side for consumer retail businesses. On the one hand, cost of doing business will be higher. On the other hand, higher housing cost tends to inhibit spending power and suppress consumer sentiment.

On the positive side, the Chinese government is currently actively trying to improve the business environment and pushing for supply side reforms. For example, in areas such as social security deduction rates there have been certain incremental measures taking place. In the long term such policy measures will help reduce the cost of doing business and also help increase disposable income for residents.

REVIEW OF THE FOOTWEAR BUSINESS

For the year ended 29 February 2016, the footwear business of the Group recorded a revenue decline of 8.5% compared with last year, mostly due to a same store sales decline of over 10%. Such a decline was largely in line with the overall sales decline in the footwear departments across over 2,000 department stores according to data collected by the Group. The same store sales decline was mostly due to volume, which was down close to 10%. Average selling price was down slightly.

During the year, there was a small decline in the number of footwear retail outlets, with 366 net closures in Mainland China. The main reason was that certain department stores started to make business adjustments or structural transitions. Another reason was that the Group held a more cautious stance reviewing low-productivity stores in a weak market environment, and chose to close down certain less promising stores.

The gross profit margin of the footwear business was lower than last year by more than 1 percentage point. The main reason was that the Group in the second half of the year, especially with the winter collection, experienced significant erosion in gross profit margins. On the one hand, market demand was weaker than expected. On the other hand, the weather was unusual last winter, it was warm at the beginning but cold later. Higher priced winter boots were not selling well at the time of new arrival. Overall volume was tilted toward the end of the season, when there was more discounting. As a result gross profit margin was negatively affected. In the near future, although weak demand may put pressure on prices and gross profit margins, the Group does not expect a risk of significant erosion to the gross profit margin of the footwear business, in view of relatively stable cost of manufacturing and procurement as well as a moderate outlook of the promotional environment.

Various expenses of the footwear business, including selling and distribution expenses as well as general and administrative expenses, were mostly higher than last year as a percentage of revenue. This was mainly due to the decline in same store sales as well as overall sales. Although rental expenses and concessionaire fees were mostly variable in nature, wages and benefits were still rising, while store decoration, other operational expenses, and general and administrative expenses were mostly fixed. An operating deleverage resulted in higher expenses as a percentage of revenue. In the near future there is unlikely an immediate improvement to same store sales. As such controlling expenses in the footwear business will continue to be a challenge.

For the year ended 29 February 2016, the profit margin of segment results for the footwear business was 18.7%, significantly lower than the 22.1% level of last year. In the near future if same store sales were to continue to decline with slower than expected recovery, it is likely for the footwear business to continue to experience gradual profit margin erosion in segment results.

REVIEW OF THE SPORTSWEAR AND APPAREL BUSINESS

For the year ended 29 February 2016, the sportswear and apparel business recorded revenue growth of 16.2%, partly due to high single digit same store sales growth and partly due to a healthy expansion of the retail network. Same store sales growth was almost evenly driven by volume growth and higher average selling price.

During the year, there were 682 net additions to the network of sportswear and apparel retail outlets, representing a net increase of 10.6% compared with 28 February 2015. The pace of network expansion in the sportswear and apparel business was relatively fast in a weak environment with struggling retail channels. First, the demand for sportswear and athletic products was strong, resulting in overall market share gains for the athletic category. Second, the sportswear and apparel business has a relatively diversified channel model, which enables more flexibility in opening new stores. The footwear business, on the other hand, is more reliant on the department store channel. Third, the Group has been ramping up efforts to grow second tier sportswear brands and niche brands, while the new apparel business continued to ramp up scale.

The gross profit margin of the sportswear and apparel business was higher than last year by about 2 percentage points, mainly due to strong market demand and tight inventories, resulting in lower retail markdown and a higher portion of sales coming from new collections.

Various expenses of the sportswear and apparel business, including selling and distribution expenses, and general and administrative expenses, were largely in line with last year, as a percentage of revenue. Although staff wages continue to climb, same store sales growth was strong enough to mostly offset higher expenses.

The profit margin of segment results for the sportswear and apparel business was higher at 8.8% this year, a 1.7 percentage point improvement from the 7.1% level of last year. The Group takes a view that in the near future the sportswear and apparel business will be in a position to maintain a profit margin of segment results at the high single digit level.

Since 2014 the Group has observed significant improvements in the overall sportswear market in China, which, to a certain extent, benefited from cyclical factors including a favourable inventory cycle as well as a style shift in favour of athleisure. At a deeper level, however, increasing participation in sports and fitness by Chinese consumers supports continued increase in real demand for quality athletic products and will drive a long term sustainable path of growth.

CHANGES IN THE GROUP'S BUSINESS MIX

For the year ended 29 February 2016, the revenue of the sportswear and apparel business experienced relatively fast growth, while the revenue of the footwear business declined. As a result the contribution to the Group's overall revenue from the sportswear and apparel business increased to 48.3%, from 42.4% in last year. Historically, in the first half of 2008, the sportswear and apparel business once accounted for just over 48% of the overall revenue. The revenue contribution from the sportswear and apparel business inched lower from that point, driven by an overall correction of the sportswear market in China, reaching a low of about 36% in 2012 and then rebounding into recovery since 2013. Changes in the business mix mainly reflect changing style preferences in the consumer retail market, and not a result of directional efforts made by the Group. The Group always positions itself as a retail company, with a business objective to maximize the Group's market share in each target market segment and also maximize the Group's competitiveness. The growth of individual target market segment, constrained by consumer demand and style shift, often shows quite different growth trajectories and different growth opportunities.

Because of significant differences in business model and profitability between the footwear segment and the sportswear and apparel segment, changes in the business mix would usually drive changes in the blended financial metrics and operational metrics of the Group. In the sportswear and apparel business the Group is only involved in distribution and retailing, while in the footwear business the Group operates along the whole value chain. Accordingly the sportswear and apparel business segment has significantly lower profitability, including gross profit margins and operating profit 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 stores are located on higher floors in department stores, with larger size and higher sales on a per store basis. As a result the concessionaire rate is usually lower for sportswear stores and expenses such as staff expenses are also lower as a percentage of revenue.

Currently the sportswear and apparel business is growing at a relatively faster pace, increasing its relative revenue contribution to the Group. This will have a negative impact on blended profitability metrics of the Group, and a positive impact on certain operational metrics including expense ratios and average inventory turnover days.

As a long term strategy, the Group will maintain active involvement in footwear, sportswear, fashion apparel and accessories. With exposure to different market segments the Group not only aims to lower business risk but also strives to follow the trend and make the most of growth opportunities.

CHANGES IN INCOME TAX RATE

The Group's effective income tax rate was 35.1% for year ended 29 February 2016, an increase of 7.1 percentage points from last year. This was mainly due to a one-off impairment of goodwill of the footwear business during the year, which was not deductible for tax purposes. Excluding the effect from the impairment of goodwill, the effective income tax rate was 28.2% for the year.

From 2013, in Mainland China, the income tax rate for the footwear businesses as well as the sportswear and apparel business of the Group has stabilized around 25%. The income tax rate for the Hong Kong business is 16.5%. The withholding tax rate applicable to the Company's subsidiaries in Mainland China on declaration or distribution of dividends to foreign holding companies is 5%.

Based on the current business structure and target dividend payout ratio, the normalized effective tax rate of the Group should be around a level of 27% to 28% in the near future.

INVENTORY TURNOVER

The average inventory turnover days of the Group were 135.7 days for the year ended 29 February 2016, slightly lower than the 138.7 days for the year ended 28 February 2015. This was mainly due to a change in business mix, with higher revenue contribution from the sportswear and apparel business, which turns inventory faster. The inventory balance as at 29 February 2016 was RMB6,877.4 million, higher than the balance of RMB6,349.4 million as at 28 February 2015.

The average inventory turnover days for the footwear business were 208.2 days, higher than the 190.2 days for the year ended 28 February 2015, mainly due to a decline in same store sales during the year, which had a negative impact on inventory turnover efficiency.

For the sportswear and apparel business, the average inventory turnover days were 90.1 days, lower than the 100.4 days for the year ended 28 February 2015. This was mainly due to strong same store sales growth and tight inventory levels throughout the year because a time lag in merchandise replenishment was typical with futures orders.

The overall inventory level for the footwear business and the sportswear and apparel business was still within the normal range. The Group is taking proactive measures on an ongoing basis to make timely adjustments to product mix and inventory balance.

IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSESTS

As at 28 February 2015, the net book value of intangible assets of the Group amounted to RMB3,812.2 million, the majority of which was goodwill from past acquisitions valued at RMB2,930.2 million (RMB1,909.6 million associated with shoes and footwear products and RMB1,020.6 million associated with sportswear and apparel products).

During the year ended 29 February 2016, consumer retail market conditions in Mainland China, Hong Kong and Macau continued to deteriorate. The footwear business of the Group experienced an acceleration of sales decline, especially in the second half of the year, when same store sales has dropped further, together with a shrinkage in profit margin when comparing with the first half of the year. The deteriorating performance in the footwear business has resulted in an impairment of its intangible assets for a total of RMB1,356.4 million, including impairment of goodwill and other intangible assets of RMB1,127.4 million and RMB229.0 million respectively. These goodwill and related other intangible assets were mainly recognized from the previous acquisitions of Mirabell, Millie's, SKAP and others.

As at 29 February 2016 the net book value of intangible assets of the Group net of impairment made amounted to RMB2,582.8 million, consisting of RMB1,802.8 million in goodwill (RMB782.2 million associated with shoes and footwear products and RMB1,020.6 million associated with sportswear and apparel products) and RMB780.0 million in other intangible assets (RMB377.8 million associated with shoes and footwear products and RMB402.2 million associated with sportswear and apparel products).

In view of current market conditions and the performance of the sportswear and apparel business of the Group, there is no significant risk of impairment to the goodwill and other intangible assets associated with the sportswear and apparel business.

DEVELOPMENT OF STRATEGIC PARTNERSHIPS

The Baroque project, a pilot program for the Group to get into the fashion apparel field together with a strategic partner, achieved much success since its inception more than 2 years ago. Strong brand marketing, product development and supply chain capabilities of Baroque Japan Limited, together with their patience in building strong brand recognition and customer loyalty in China, provided a solid foundation for success. Strong channel development and retail management capabilities of the Group provided a much needed catalyst to enable fast penetration of the retail footprint and higher quality of business operations. During the year the Baroque China business achieved significant progress in growing the business scale and improving profitability and efficiencies.

The achievements from the Baroque project provided the Group with valuable experience and perspectives. In cultivating a brand the Group needs to be patient and works on building the foundations before ramping up its scale. In choosing potential partners the Group needs to focus on brand legacy and product capabilities, accumulated investment of the brand in the China market or international markets, as well as a commercial collaboration framework that supports win-win on a sustainable basis. In light of the trend of continued fragmentation in the apparel market, the Group needs to follow through with a multi-brand, multi-segment strategy to continue to introduce new brands and new businesses. Based on the specific life cycle of each brand the Group will be patient in building a solid foundation first before ramping up. Once a single brand reaches a certain level of scale, the Group will not attempt to drive more expansion and will instead focus on more localization in product development and better integration of the supply chain, in an effort to maximize brand quality and brand equity.

The Group recently entered into a strategic cooperation agreement with the REPLAY brand in Italy, to develop the REPLAY business in Greater China. An internationally renowned high end smart denim brand, REPLAY has been engaged in a major transition and transformation over the past two years. With the launch of innovative products such as Hyperflex denim jeans and assistance from celebrity sponsors with world recognition, the brand has picked up steam with a rebound in the marketplace and improved competitiveness. Recent fashion trend in the world market is mostly led by athleisure and denim has taken to back stage. From a historical perspective, however, denim always occupied a place in the apparel market with considerable resilience. During times of style shifts denim also proved to have opportunities to benefit from favourable consumer preference. The Group believes that a partnership with the REPLAY brand has the potential to enable an effective entry into the denim field for the Group. That being said the Group is consciously aware that this brand is still in transition mode and there are numerous challenges in the restructuring of its core resources. In the China market the brand also lacks recognition, with a significant deficit in brand building and investment. As such the Group will initially focus on team building and skill acquisition. The Group will be very patient and focused on core markets and key stores in an effort to build customer loyalty and brand equity over time. A full scale ramp up plan will only be implemented when the Group is ready.

CHALLENGES AND OUTLOOK

The current predicaments of the Group are closely related to changes in consumer taste and shifting style preferences. Traditional fashion footwear and dress shoes have been out of the vogue over the past two years, with athleisure taking center stage. It is worth noting that in the China market such a style shift is more structural in nature because in the past 20 years there was an over-penetration of fashion footwear and dress shoes with too much share of the market while athletic shoes and casual shoes were under-represented. With the rapid growth of Chinese consumers, their taste, aesthetics and life style are converging towards global peers. The style mix in the China footwear market is in the process of normalization. The Group always strives to build a business portfolio that covers multiple brands, multiple product categories, and multiple market segments, which, to a certain extent, alleviates the negative impact from a significant style shift. In the future the Group needs to strengthen its position as a retail company. The Group will continue to build a highly efficient consumer-facing retail platform, upon which the Group can build a diversified portfolio of brands, product categories, and supply chain models to better serve an increasingly fragmented customer base that demands diversified and unique products.

Second, the evolution of retail channels had an enormous impact on the footwear business. From the perspective of evolving channels in China, in the past 20 years, the department store channel was also in a way over penetrated. In the current environment its value proposition has been weakening. On the one hand, shopping malls and urban complexes, with a rich collection of dining and entertainment amenities, have been attracting a lot more customers with a penchant for experience. On the other hand, rapid growing eCommerce attracted certain customers that value convenience and at the same time provided more choices for a group of consumers that are sensitive to pricing and value. Although short term contraction and adjustments are unavoidable, the department store is unlikely to become irrelevant as a retail channel. A retail format set up along category lines with active management of the portfolio of brands and products is still an efficient model compared with the shopping malls, which are mostly a cluster of standalone brands and separate stores. The future direction for the department store is likely to be more focused on the high end and on differentiation. This is more or less in line with the changes initiated by the Group over the past few years to emphasize more on brand diversity and product differentiation. The Group is confident that it is in a position to adapt to the changes and upgrades of the department store channel and maintain a reasonable market share. From a channel allocation perspective, the Group will continue to push an omni-channel strategy. The Group will actively increase our exposure to the shopping mall channel, especially the prime premises, with a differentiated offering in store format, product assortment, and marketing. At the same time the Group will actively push for more interaction between offline and online, especially with mobile applications and platforms, to achieve effective one on one communication with and marketing to our customers. Loyalty programs and social media will be utilized to create awareness of and route foot traffic to offline stores. Offline stores will also actively recruit loyalty members and, with more choices from online stores, help customers find what they want, which is essential for higher conversion.

A third challenge comes from increasing demand by customers for higher value for money, as a result of increasing transparency in information and communications, as well as the development of online sales. The industry, however, due to constraints in the channel model and manufacturing processes, has not been able to come up with effective ways to meet such a demand.

Recently the central government has been working on supply side reforms to rekindle growth. Specific to the consumer retail industry, supply side reform means the ability to provide better products and better services that actually meet consumer demand. It requires retailers to stay true to the essence of commerce, focusing on product innovation, business model improvement, and supply chain optimization, all in an effort to enhance value for money. In its 2016 work report the State Council was also asking for improved supply of products and services, higher quality of consumer goods, excellence in craftsmanship, more choices and continued brand innovation.

The business philosophy of the Group has always been centered on consumer demand. With vertical integration, continuous replenishment, small batch production and other configurations the Group strives to have the right products in stores that best meet market demand. Such an operational model was the right choice for the Group in the past that fit into the technical environment. There are associated costs and shortcomings for sure. For example the cost of manufacturing is on the high side and it is very difficult to obtain the highest level of quality and craftsmanship. There is a passive touch in meeting consumer demand as well as a small time lag, which makes it harder to uncover hidden demand and actively lead the latest fashion trend. In the current environment, although increasingly demanding consumers pose significant challenges for our footwear business, the Group also observes that technology advancement likely will provide the Group with necessary tools to enable further innovation. The prevalence of internet, social media and data technology will enable accurate and timely communication of consumer demand, including physical specifications, individual tastes and general elements of fashion, which potentially creates the opportunity to analyse, decompose and reconstruct such demand on a timely basis that feeds directly into merchandise planning and marketing. In the manufacturing process, with technologies such as programmable equipment, internet of things, and three dimensional printing, manufacturers will be better positioned to achieve lean production with enough built-in flexibility to resolve traditional conflicts between fast-response and cost, between customization and quality. Higher consumer value can be delivered at a reasonable cost.

The Group believes that in a tough environment with a lot of noise and distraction, it is usually necessary to go back to the very essence of product, the nature of retail, and the core of consumer demand. As an industry leader with adequate resources, the Group has the responsibility and confidence to make a contribution to the exploration of innovations. If the Group can stay laser-focused on product, customer, and technology with perseverance, innovation, and leadership, there will be little need to worry about current weakness in demand or lack of growth. At the current stage of development in China with the urbanization process far from completion and consumption upgrade is only starting, there will unlikely be a lack of real demand. What is lacking is usually effectiveness and quality on the supply side. Around year 2009 the sportswear industry also experienced hardship, with large scale store closure and slumping sales. But most sportswear retailers including ourselves did not give up. Sportswear brands did not lose faith. The Group worked together to redefine business strategy, focusing more on retail efficiencies, product innovation and brand building. By the second half of 2012 there were signs of recovery in the sportswear market. Starting from 2014 the sportswear market entered a golden stage with fast growth and high productivity. The path for fashion footwear may not be the same. But it is our belief that the demand for fashion footwear by Chinese consumers will not vanish. There is an opportunity for such demand to pick up gradually on the back of economic development. What the Group needs is not frustration or waiting, but active adjustment, continued improvement, innovation and transcendence. The Group needs to focus on our customers externally and helps achievers succeed internally. The Group believes, with time and effort, the beauty of fashion will rekindle life and the spring season of the consumer retail market will come.

PLEDGE OF ASSETS

As at 29 February 2016, structured bank deposits of RMB524.0 million (2015: Nil) were pledged for other short-term borrowings of the same amount. Apart from that, no other assets such as property, plant and equipment, land use rights and investment properties were pledged as security for banking facilities available to the Group (2015: Nil).

CONTINGENT LIABILITIES

As at 29 February 2016, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 29 February 2016, the Group had a total of 119,061 employees (2015: 115,657 employees). For the year ended 29 February 2016, total staff cost was RMB6,979.0 million (2015: RMB6,453.5 million), accounting for 17.1% (2015: 16.1%) 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 and share awards 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.

GENERAL INFORMATION

PROPOSED FINAL DIVIDEND

The Board recommended the payment of a final dividend for the year ended 29 February 2016 of RMB6.0 cents per ordinary share (2015: RMB19.0 cents), totaling RMB506.1 million (2015: RMB1,602.5 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, 26 July 2016, and payable in Hong Kong dollars based on the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars as quoted by the Hong Kong Association of Banks on Tuesday, 26 July 2016. Upon shareholders' approval, the proposed final dividend will be paid on or about Tuesday, 16 August 2016 to shareholders whose names appear on the register of members of the Company on Thursday, 4 August 2016.

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, 26 July 2016, the register of members of the Company will be closed from Friday, 22 July 2016 to Tuesday, 26 July 2016, 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, 21 July 2016.

(b) The final dividend will be payable on or about Tuesday, 16 August 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 4 August 2016. For the purpose of ascertaining shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Tuesday, 2 August 2016 to Thursday, 4 August 2016, 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, 1 August 2016.

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 year ended 29 February 2016, 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), Dr. Xue Qiuzhi (Independent Non-executive Director) and Mr. Gao Yu (Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on 28 July 2015 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. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the year ended 29 February 2016.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee include (but without limitation) assisting the 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 four Independent Non-executive Directors, namely, Mr. Ho Kwok Wah, George, Mr. Chan Yu Ling, Abraham, Dr. Xue Qiuzhi and Mr. Gao Yu. 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 year ended 29 February 2016.

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 procedure 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 and awarded shares to eligible participants pursuant to the share option scheme and Share Award Scheme upon authorization by the Board.

The Remuneration Committee has four members comprising Mr. Chan Yu Ling, Abraham, Mr. Sheng Baijiao, Dr. Xue Qiuzhi and Mr. Gao Yu, three 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 year ended 29 February 2016, 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, 26 July 2016. 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, 24 May 2016

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

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.