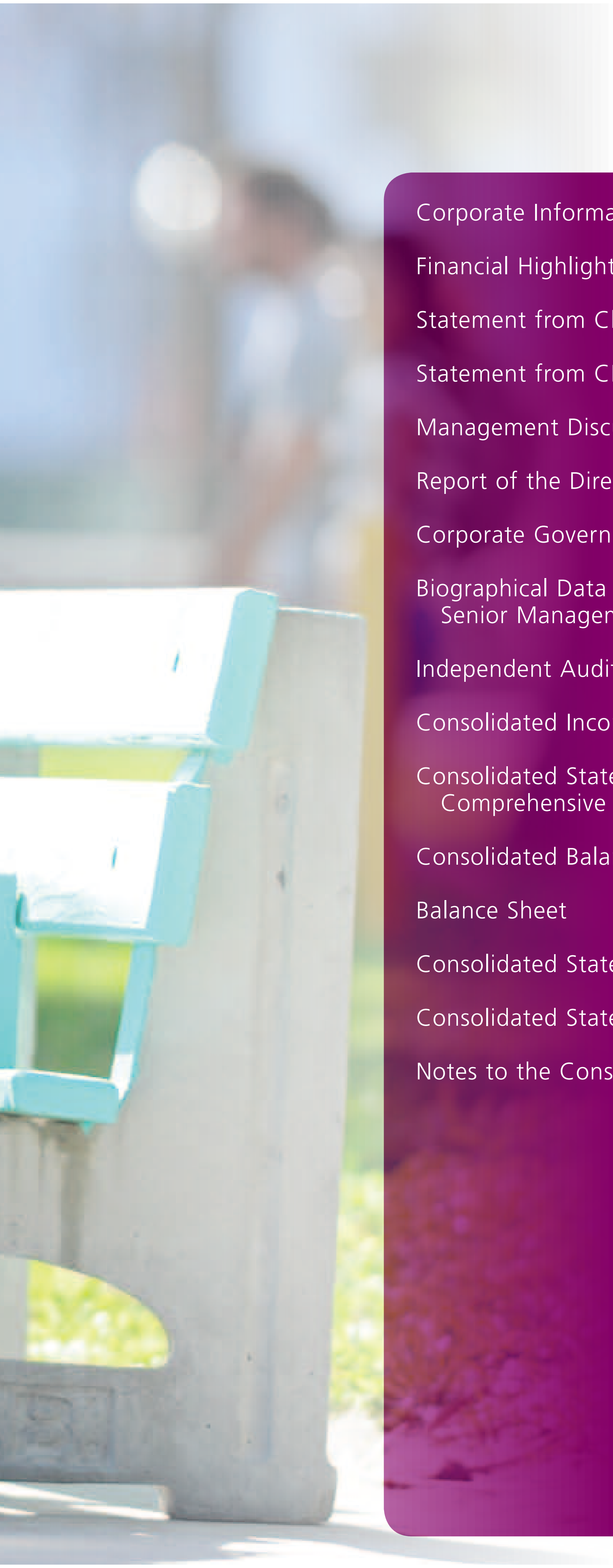
Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1880)

2013/14 Annual Report



CONTENTS

CORPORATE INFORMATION

Board of Directors
Chairman
Mr. Tang Yiu
(Non-executive Director)

Executive Directors
Mr. Sheng Baijiao
(Chief Executive Officer)
Mr. Tang King Loy
Mr. Sheng Fang

Non-executive Directors
Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors
Mr. Ho Kwok Wah, George
Mr. Chan Yu Ling, Abraham
Dr. Xue Qiuzhi

Authorized Representatives
Mr. Tang King Loy
Mr. Leung Kam Kwan

Audit Committee
Mr. Ho Kwok Wah, George
(Chairman)
Mr. Chan Yu Ling, Abraham
Dr. Xue Qiuzhi

Remuneration Committee
Mr. Chan Yu Ling, Abraham
(Chairman)
Mr. Sheng Baijiao
Dr. Xue Qiuzhi

Nomination Committee
Dr. Xue Qiuzhi *(Chairman)*
Mr. Sheng Baijiao
Mr. Chan Yu Ling, Abraham

Company Secretary
Mr. Leung Kam Kwan, FCPA

Registered Office
Offshore Incorporation
(Cayman) Limited
Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head Office and Principal Place of Business in Hong Kong
9/F Belle Tower
918 Cheung Sha Wan Road
Cheung Sha Wan
Hong Kong

Stock Code
1880

Website
www.belleintl.com

Legal Advisor
Cleary Gottlieb Steen &
Hamilton (Hong Kong)
39/F Bank of China Tower
1 Garden Road
Central
Hong Kong

Auditor
PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building
Central
Hong Kong

Principal Share Registrar
Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar
Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers
The Hongkong and Shanghai
Banking Corporation Limited
Hang Seng Bank Limited
DBS Bank (HK) Limited
China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.


ART

FINANCIAL HIGHLIGHTS

		Fourteen months ended 28 February 2014	Fourteen months ended 28 February 2013 *(note)*	Twelve months ended 31 December 2013	Year ended 31 December 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	RMB cents	**8.00**	8.00
– final	RMB cents	**12.00**	8.00
Average trade receivables turnover period	days	**31.6**	32.7
Average trade payables turnover period	days	**22.0**	30.8
Average inventory turnover period	days	**156.0**	173.9

		As at 28 February 2014	As at 31 December 2012
Gearing ratio	%	**7.3**	7.6
Current ratio	times	**3.5**	3.3

Note:

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.

STATEMENT FROM CHAIRMAN

Dear Shareholders,

In the past two years, China's economy continued its structural transition, with declining growth momentum. As a result the consumer retail market experienced prolonged weakness. Faced with a weak retail market and a challenging business environment, all my colleagues continued to work hard as one united team and achieved both positive revenue growth and positive profit growth. We managed to consolidate market share and improve market competitiveness. I would like to take this opportunity to thank all my colleagues for their effort.

For the fourteen months ended 28 February 2014 the Group grew revenues by 10.1%, operating profits by 4.1%, profit attributable to equity holders of the Company by 1.0%, as compared with the same period of last year. The group continued to expand company-managed retail network. As at 28 February 2014 the total number of company-managed retail outlets reached 19,333, of which 19,177 were located in Mainland China, 156 in Hong Kong and Macau.

In the first twenty years of our history, the Group greatly benefited from an overall supportive environment of reform and opening up, and achieved impressive rapid growth. During the painful economic transition in recent years, however, our experience has been no exception to the general conundrum of slow growth. That being said, an environment of slower growth might present a rare opportunity for us, an organization so used to fast growth, to review our business, innovate, and change. Continued improvements in organizational structure, managerial method, and business infrastructure not only will help us improve quality of operations and alleviate the pressure of rising cost, but also will strengthen our competitiveness and leadership versus competition. The Group has also been very proactive in investing in new initiatives and emerging channels, which will drive growth in the future.

I believe, with all of us remaining passionate in business creation, open to new ideas and fresh perspectives, and continue to learn and improve, we will be able to continue to innovate and achieve long-term sustainable growth.

Tang Yiu
Chairman

26 May 2014

STATEMENT FROM CEO

Dear Shareholders,

On behalf of the board of directors ("the Board") of the Company and all employees of the Group, I am pleased to report the results for the fourteen months ended 28 February 2014 as follows:

RESULTS FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

The Group's revenue increased by 10.1% to RMB43,067.2 million in the fourteen months ended 28 February 2014 compared with the same period of last year. Revenue of the footwear business increased by 5.0% to RMB26,392.3 million compared with the same period of last year. The sportswear and apparel business recorded revenue of RMB16,674.9 million, up by 19.1% from the same period of last year. The relatively fast growth of the sportswear and apparel business was mainly due to the consolidation of a newly acquired business as well as relatively better same store sales growth. The footwear business contributed 61.3% of the revenue of the Group, slightly lower than the 64.2% level in the same period of last year.

The Group's operating profit was RMB6,634.0 million, an increase of 4.1% from the same period of last year. Operating profit growth was lower than revenue growth, and operating profit margin also slightly declined due to two major reasons. First, the profit margin of segment results for the footwear business declined from the same period of last year. Second, the low-margin sportswear and apparel business grew faster than the footwear business, taking a larger share of the overall business mix.

Profit attributable to the equity holders of the Company amounted to RMB5,159.1 million, an increase of 1.0% from the same period of last year. Earnings per share amounted to RMB61.17 cents, an increase of 1.0% from the RMB60.58 cents of the same period last year.

The Board recommended a final dividend of RMB12.0 cents per ordinary share for the fourteen months ended 28 February 2014. Together with the interim dividend of RMB8.0 cents per ordinary share (paid on 18 October 2013), the total dividends for the fourteen months ended 28 February 2014 will amount to RMB20.0 cents (Year ended 31 December 2012: RMB16.0 cents) per ordinary share.

SUMMARY OF THE OVERALL BUSINESS DEVELOPMENT STRATEGY OF THE GROUP

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

Footwear 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.

The table below sets out the revenue of the footwear business from the company-owned brands, distribution brands as well as international trade of the Group, and their respective percentages of total revenue and comparative growth rates for the periods indicated.

	Fourteen months ended 28 February				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**24,019.0**	**91.0%**	22,485.2	89.5%	6.8%
Distribution brands	**2,004.1**	**7.6%**	2,173.0	8.6%	(7.8%)
Sub-total	**26,023.1**	**98.6%**	24,658.2	98.1%	5.5%
International trade	**369.2**	**1.4%**	467.1	1.9%	(21.0%)
Total	**26,392.3**	**100.0%**	25,125.3	100.0%	5.0%

Unit: RMB million

Sportswear and apparel 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 table below sets out the revenue of the sportswear and apparel business from the first-tier sportswear brands, second-tier sportswear brands as well as other sportswear and apparel business of the Group, and their respective percentages of total revenue and comparative growth rates for the periods indicated.

	Fourteen months ended 28 February				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands	**14,783.4**	**88.7%**	12,378.8	88.3%	19.4%
Second-tier sportswear brands	**1,702.1**	**10.2%**	1,535.5	11.0%	10.8%
Other sportswear and apparel business	**189.4**	**1.1%**	92.2	0.7%	105.4%
Total	**16,674.9**	**100.0%**	14,006.5	100.0%	19.1%

Unit: RMB million

STATEMENT FROM CEO

Expansion of company-managed retail outlets network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 28 February 2014.

≤200 Retail Outlets

201 to 400 Retail Outlets

401 to 600 Retail Outlets

>600 Retail Outlets

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.

Region	Number of Company-managed Retail Outlets						
	Footwear			Sportswear			
	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.

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS

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.

STATEMENT FROM CEO

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 Apparel (Shenzhen) Limited ("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 should not 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.

STATEMENT FROM CEO

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 ladie's 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 Company Limited" or "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 ladie's 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 cadets and all the employees, with our tradition of learning, passion, and change, we will be able to replicate the success of our entrepreneurship journey period in a brand new era and create an evergreen business with excellence, vigor, and strength.

Sheng Baijiao
CEO and Executive Director

26 May 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Pursuant to a special resolution passed on 8 September 2013, the board of directors of the Company 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 destocking process was largely completed and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

BANK LOANS AND OTHER BORROWINGS

As at 28 February 2014, the Group's bank loans and other borrowings were RMB2,360.1 million (31 December 2012: RMB2,176.3 million) and the Group's utilized banking facilities amounted to RMB2,436.9 million (31 December 2012: RMB2,261.9 million).

Particulars of bank borrowings of the Company and of the Group as at 28 February 2014 are set out in note 30 to the consolidated financial statements.

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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Details of the exposure to fluctuations in exchanges rates of the Group as at 28 February 2014 are set out in note 3.1(a) to the financial statements.

SUBSEQUENT EVENTS

In September 2013, the Group announced its intention to acquire the entire equity interest in 龍浩天地股份有限公司 ("Longhao Company Limited" or "Longhao") for a consideration of not exceeding RMB700.0 million. Longhao is principally engaged in the sales and distribution of footwear products, leather bags and suitcases in the PRC and owns and operates self-owned brands including SKAP.

The Acquisition was completed in March 2014 and the total consideration of approximately RMB700.0 million is to be settled in cash.

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.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of the Company takes pleasure in submitting their annual report together with the audited financial statements for the fourteen months ended 28 February 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities and other particulars of the principal subsidiaries are set out in note 39 to the financial statements.

The analysis of the Group's performance by reportable segments during the period is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The profit of the Group for the fourteen months ended 28 February 2014 and the financial position of the Group and of the Company as at that date are set out in the financial statements on pages 48 to 128.

The Board declared on 23 August 2013 an interim dividend of RMB8.0 cents per ordinary share, totaling RMB674.7 million. The interim dividend was paid on 18 October 2013.

The Board recommended the payment of a final dividend for the fourteen months ended 28 February 2014 of RMB12.0 cents (equivalent to HK15.08 cents) per ordinary share, totaling RMB1,012.1 million.

To the knowledge of the Company, as at the date of this report, there were no any arrangements of shareholders waiving or agreeing to waive the proposed distribution of final dividend for the fourteen months ended 28 February 2014.

The translation of RMB into Hong Kong dollars is made for illustration purpose only, at the rate of HK$1.00=RMB0.79575. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be the official fixing exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China on 5 August 2014, being the date on which the dividend is proposed to be approved by the shareholders of the Company at its annual general meeting.

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.

DISTRIBUTABLE RESERVES

As at 28 February 2014, distributable reserves (including share premium and retained earnings) of the Company amounted to RMB12,327.8 million (31 December 2012: RMB11,821.5 million). The movements in distributable reserves during the period are set out in notes 31 and 32 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the period, sales to the Group's five largest customers accounted for less than 5% of the Group's total sales for the period.

Purchases from the Group's five largest suppliers accounted for approximately 55.05% of the Group's total purchases for the period and purchases from the largest supplier included therein accounted for approximately 27.92% of the Group's purchases.

During the period, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major suppliers or customers.

PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB1,444.4 million (31 December 2012: RMB1,336.7 million). Details of the movements in property, plant and equipment are set out in note 15 to the financial statements.

SHARE CAPITAL

There was no change in the total number or structure of shares of the Company as a result of bonus issue, conversion from reserves, placing, allotment of new shares or any other reasons during the period.

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the period.

Particulars of share capital and share premium of the Company during the period are set out in note 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the period and up to the date of this report were:

Chairman

Mr. Tang Yiu *(Non-executive Director)*

Executive Directors

Mr. Sheng Baijiao *(Chief Executive Officer)*
Mr. Tang King Loy
Mr. Sheng Fang

Non-executive Directors

Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors

Mr. Ho Kwok Wah, George
Mr. Chan Yu Ling, Abraham
Dr. Xue Qiuzhi

In accordance with article 87 of the Company's articles of association, Mr. Sheng Fang (an Executive Director), Mr. Gao Yu (a Non-executive Director), Ms. Hu Xiaoling (a Non-executive Director) and Dr. Xue Qiuzhi (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Mr. Gao Yu, being eligible, offers himself for re-election as an Independent Non-executive Director at the forthcoming annual general meeting. Mr. Sheng Fang, Ms. Hu Xiaoling and Dr. Xue Qiuzhi, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

The biographical details of the Directors and senior management as at the date of this report are set out in this report on pages 43 to 45.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years subject to termination before expiry by either party giving not less than three months' notice in writing to the other. The emoluments specified in the service contract appointing an Executive Director consist of basic salary (which is subject to annual review of the Board and the Remuneration Committee), mandatory retirement fund contributed by the Group and a discretionary bonus as decided by the Board and the Remuneration Committee at their discretion. Emoluments are determined with reference to the job responsibility of the Executive Director, the prevailing market rate for his position in the Group, together with a discretionary bonus based on his performance.

Each of the Non-executive and Independent Non-executive Directors has entered into a letter of appointment with the Company on for an initial term of one year and shall continue thereafter for successive period of one year subject to a maximum term of three years unless terminated by either party giving at least one month's notice in writing. No fees are payable to Non-executive Directors under the appointment letters. The emoluments payable to an Independent Non-executive Director are determined with reference to his job responsibility and the prevailing market rate for his position.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

There was no director's service contract that was entered into between the Company or its subsidiaries and any of the Directors before 31 January 2004 and waived from complying the requirements of shareholders' approval under Rule 13.68 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). There was no arrangement under which a Director waived or agreed to waive any remuneration during the fourteen months ended 28 February 2014.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 28 February 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Interests in issued shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Tang Yiu	Interest in controlled corporation *(Note 2)*	2,627,500,000 (L)	31.15%
Mr. Sheng Baijiao	Founder of a discretionary trust *(Note 3)*	580,877,000 (L)	6.89%
	Beneficial Interest	75,000,000 (L)	0.89%

Notes:

(1) The letter "L" denotes a long position in shares.

(2) These ordinary shares of HK$0.01 each in the share capital of Company ("Shares") were held by Profit Leader Holdings Limited ("Profit Leader"). Mr. Tang Yiu was beneficially interested in 65.00% of the issued share capital of Merry Century Investments Limited ("Merry Century"), which was interested in 55.73% of the issued share capital of Profit Leader.

(3) Mr. Sheng Baijiao is interested in the Shares through a trust, of which he is a founder and a beneficiary.

(ii) Interests in underlying shares of the Company

None of the Directors of the Company has been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2014, the interests or short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholders	**Capacity/ Nature of Interest**	**Number of Shares *(Note 1)***	**Approximate percentage of interest in the Company**
Credit Suisse Trust Limited	Trustee	3,781,750,000 (L)	44.84%
Handy Limited	Beneficial Interest	580,877,000 (L)	6.89%
Essen Worldwide Limited	Beneficial Interest	573,373,000 (L)	6.80%
Profit Leader	Beneficial Interest	2,627,500,000 (L)	31.15%
Best Contact Holdings Limited	Interest in controlled corporation *(Note 2)*	580,877,000 (L)	6.89%
Merry Century	Interest in controlled corporation *(Note 3)*	2,627,500,000 (L)	31.15%
Golden Coral Holdings Limited	Interest in controlled corporation *(Note 3)*	2,627,500,000 (L)	31.15%
Mr. Tang Wai Lam	Interest in controlled corporation *(Note 4)*	2,627,500,000 (L)	31.15%
	Beneficial Interest	17,887,500 (L)	0.21%
	Interest of spouse/child	2,000,000 (L)	0.03%
JPMorgan Chase & Co. *(Note 5)*	Beneficial Owner/ Investment Manager/ Trustee/Custodian Corporation/ Approved Lending Agent	590,240,799 (L)	6.99%
	Beneficial Owner	10,631,199 (S)	0.12%
	Custodian Corporation/ Approved Lending Agent	389,050,583 (P)	4.61%

Notes:

(1) The letter "L" denotes a long position in the Shares; the letter "S" denotes a short position in the Shares; the Letter "P" denotes a lending pool in the Shares.

(2) These Shares were held by Handy Limited. Best Contact Holdings Limited was interested in 59.43% of the issued share capital of Handy Limited.

(3) These Shares were held by Profit Leader. Merry Century was interested in 55.73% of the issued share capital of Profit Leader. Golden Coral Holdings Limited was interested in 33.35% of the issued share capital of Profit Leader.

(4) These Shares were held by Profit Leader. Mr. Tang Wai Lam was beneficially interested in 35.00% of the issued share capital of Merry Century, which was interested in 55.73% of share capital of Profit Leader.

(5) JPMorgan Chase & Co., through various subsidiaries, had interest in the Shares, of which 44,556,846 Shares (long position) and 10,631,199 Shares (short position) were held in its capacity as beneficial owner, 156,604,400 Shares (long position) were held in its capacity as investment manager 28,970 Shares (long position) where held in capacity as trustee, and 389,050,583 Shares (long position) were held in its capacity as custodian corporation/approved lending agent.

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) has disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or were recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 28 February 2014.

SHARE OPTION SCHEME

The Company adopted its share option scheme pursuant to a shareholders resolution passed on 27 April 2007 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders of the Company and to retain and attract calibers and working partners whose contributions are or may be beneficial to the growth and development of the Group.

Pursuant to the Share Option Scheme, the Board may at its discretion grant options to (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive director (including independent non-executive director) of the Company, any member of the Group or any Invested Entity ((i) and (ii) collectively referred to as "Eligible Employees"); (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, advisor, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively referred to as "Qualified Participants").

The Share Option Scheme shall be valid and effective for 10 years from the date on which the shares of the Company first commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme or any other share option schemes as may be adopted by the Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of Shares in issue as of the Listing Date, unless such scheme mandate limit is renewed by shareholders of the Company in a general meeting.

No options have been granted under the Share Option Scheme by the Group since its adoption to the date of this annual report.

Apart from the foregoing, at no time during the period was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, either directly or indirectly, were subsisting during or at the end of the fourteen months ended 28 February 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, each of the Directors has confirmed that he/she does not have any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

BANK BORROWINGS

Particulars of bank borrowings of the Company and of the Group as at 28 February 2014 are set out in note 30 to the financial statements.

CONNECTED TRANSACTION

The Company did not (i) have any outstanding continuing connected transaction or (ii) enter into any connected transaction for the fourteen months ended 28 February 2014.

None of the related party transactions set out in note 37 to the financial statements constitutes connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out as follows:

	Fourteen months ended 28 February	Year ended 31 December			
	2014	2012	2011	2010	2009
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue	**43,067.2**	32,859.0	28,944.7	23,705.9	19,761.6
Gross profit	**24,583.1**	18,598.2	16,555.9	13,208.4	10,541.6
Gross profit margin	**57.08%**	56.60%	57.20%	55.72%	53.34%
Operating profit	**6,634.0**	5,402.9	5,264.8	3,962.5	2,824.2
Operating profit margin	**15.40%**	16.44%	18.19%	16.72%	14.29%
Profit attributable to equity holders of the Company	**5,159.1**	4,352.3	4,254.6	3,424.5	2,533.5
Structured bank deposits, term deposits, bank balances and cash	**10,233.0**	8,525.4	6,750.9	5,893.2	5,792.4
Bank loans and bills payable	**2,360.1**	2,176.3	1,895.4	680.7	1,115.3
Total assets	**32,393.9**	28,602.8	25,681.2	20,832.0	18,624.7
Total liabilities	**6,058.6**	6,039.4	6,087.4	3,717.2	3,301.7
Total equity	**26,335.3**	22,563.4	19,593.8	17,114.8	15,323.0

RETIREMENT SCHEMES

Particulars of the retirement schemes of the Group are set out in note 13 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, and considers all the Independent Non-executive Directors to be independent.

AUDITOR

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Tang Yiu
Chairman

Hong Kong, 26 May 2014

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of the Company is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in 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.

BOARD

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

The Board comprises three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee different areas of the Company's affairs. The composition of the Board and the Board committees are given below and their respective responsibilities and work performed during the period are discussed in this report.

Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors			
Mr. Sheng Baijiao *(Chief Executive Officer)*	N/A	√	√
Mr. Tang King Loy	N/A	N/A	N/A
Mr. Sheng Fang	N/A	N/A	N/A
Non-executive Directors			
Mr. Tang Yiu *(Chairman)*	N/A	N/A	N/A
Mr. Gao Yu	N/A	N/A	N/A
Ms. Hu Xiaoling	N/A	N/A	N/A
Independent Non-executive Directors			
Mr. Ho Kwok Wah, George	√	N/A	N/A
Mr. Chan Yu Ling, Abraham	√	√	√
Dr. Xue Qiuzhi	√	√	√

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Directors and members of senior management. The Company maintains appropriate directors' and officers' liabilities insurance.

During the period, the Board convened a total of eight Board meetings based on the needs of the operation and business development of the Company. Details of attendance of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee meetings by the Directors are as follows:

	Meetings attended/held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Tang Yiu# *(Chairman)*	8/8	N/A	N/A	N/A
Mr. Sheng Baijiao *(Chief Executive Officer)*	8/8	N/A	3/3	1/1
Mr. Tang King Loy	8/8	N/A	N/A	N/A
Mr. Sheng Fang	7/8	N/A	N/A	N/A
Mr. Gao Yu#	6/8	N/A	N/A	N/A
Ms. Hu Xiaoling#	8/8	N/A	N/A	N/A
Mr. Ho Kwok Wah, George@	8/8	4/4	N/A	N/A
Mr. Chan Yu Ling, Abraham@	7/8	4/4	3/3	1/1
Dr. Xue Qiuzhi@	8/8	4/4	3/3	1/1

\# Non-executive Directors

@ Independent Non-executive Directors

The Board members have no financial, business, family or other material/relevant relationships with each other save that Mr. Tang Yiu is the father of Mr. Tang King Loy and Mr. Sheng Baijiao is an uncle of Mr. Sheng Fang. In the Board's opinion, this relationship does not affect the Directors' independent judgment and integrity in executing their roles and responsibilities. The Non-executive Directors and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

Each of the Independent Non-executive Directors has confirmed with the Company in writing his independence from the Company in accordance with Rule 3.13 of the Listing Rules. On this basis, the Company considers all Independent Non-executive Directors to be independent.

Biographical details of the Directors and senior management of the Company as at the date of this report are set out on pages 43 to 45 of this annual report.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

Directors' Training

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the businesses of the Group by senior executives.

As a matter of continuing professional development training, the Company provides training and briefing sessions to Directors during the fourteen months ended 28 February 2014, to ensure that they are apprised of the latest development regarding the Listing Rules and other applicable statutory requirements and to refresh their knowledge and skills in relation to their contribution to the Board. In addition, the Directors have been developing and refreshing their skills and knowledge by studying relevant materials from time to time concerning directors of listed companies.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee of the Company took into consideration criteria such as difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board when considering the appointment of new Directors. Currently, all Directors are appointed for a specific term of three years.

In accordance with article 87 of the Company's articles of association, Mr. Sheng Fang (an Executive Director), Mr. Gao Yu (a Non-executive Director), Ms. Hu Xiaoling (a Non-executive Director) and Dr. Xue Qiuzhi (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Mr. Gao Yu, being eligible, offers himself for re-election as an Independent Non-executive Director at the forthcoming annual general meeting. Mr. Sheng Fang, Ms. Hu Xiaoling and Dr. Xue Qiuzhi, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. Tang Yiu and Mr. Sheng Baijiao respectively. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The reasonable division of work under the laws ensures a definite division between power and obligations with clear-cut and efficient decisions and implementations by the Board and the management.

AUDIT COMMITTEE

The Company established the Audit committee on 27 April 2007 with written terms of reference. The Audit Committee comprises three Independent Non-executive Directors of the Company, 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 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 met four times in the fourteen months ended 28 February 2014. Major work completed by the Audit Committee during the period includes:

- reviewing the Group's annual report, interim financial information and annual financial statements;
- reviewing accounting policies adopted by the Group and issues related to accounting practice;
- reviewing the external auditor's qualifications, independence and performance;
- reviewing the external auditor's management letter and the management's response;
- assisting the Board to evaluate on the effectiveness of financial reporting procedures and internal control system; and
- advising on material event or drawing the attention of the management on related risks.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 27 April 2007 with written terms of reference. 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.

The primary responsibilities of the Remuneration Committee include (but without limitation):

- making recommendations to the Board on the Group's 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 to eligible participants pursuant to the Share Option Scheme upon authorization by the Board.

The Remuneration Committee held three meetings during the fourteen months ended 28 February 2014. The members of the Remuneration Committee reviewed the Group's remuneration policy, assessed performance of Executive Directors and approved the terms of Executive Directors' service contracts for the fourteen months ended 28 February 2014 at the meetings.

NOMINATION COMMITTEE

The Company established the Nomination Committee on 17 March 2012 with written terms of reference. 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.

The Nomination Committee held one meeting during the fourteen months ended 28 February 2014. The members of the Nomination Committee reviewed the nomination procedures of the Directors for the fourteen months ended 28 February 2014 at the meeting. 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.

BOARD DIVERSITY

In order to achieve a diversity of perspectives among members of the Board, it is the board diversity policy of the Company to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments to the Board. The Nomination Committee will carry out the selection process in accordance with the board diversity policy of the Company and by making reference to a range of diversity perspectives, including but not limited to difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that period. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 46 and 47.

COMPANY SECRETARY

Mr. Leung Kam Kwan is the Company Secretary of the Company. He is a full time employee of the Company who has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters.

In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The Board convenes meetings with the Audit Committee to conduct regular reviews of the effectiveness of the internal control system of the Company and the Group. During the fourteen months ended 28 February 2014, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, including the financial, operational and compliance controls, risk management functions, adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

REMUNERATION POLICY

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.

Details of the emoluments for Directors, Chief Executive Officer and five highest paid individuals, and senior management remuneration by band for the period are set out in note 14 to the financial statements.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, and their affiliated firms, for its statutory audit, audit-related and non-audit services for the fourteen months ended 28 February 2014 were RMB10.2 million, RMB2.8 million and RMB0.4 million, respectively.

MODEL CODE FOR SECURITIES TRANSACTIONS

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.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to being a successful and responsible corporate citizen. As such, we are committed not only to delivering quality products and service to our customers and strong and sustained financial performance to our shareholders. We are also committed to contributing into the communities where we conduct business. We aim to achieve this by, amongst others, ensuring that the workers producing our products are treated with fairness and respect; and at all times achieving our goals through environmentally friendly means.

MATERIAL CHANGE IN THE ARTICLES OF ASSOCIATION

During the fourteen months ended 28 February 2014, there was no material change in the Articles of Association of the Company.

INVESTOR AND SHAREHOLDER RELATIONS

The Board is dedicated to maintain an on-going dialogue with the shareholders and the investors of the Company. Information is communicated to the shareholders and the investors mainly through the Company's financial reports (interim and annual reports), general meetings, as well as by making available all the disclosures submitted to the Stock Exchange and its corporate communications and other corporate publications on the Company's website. Investors and analysts briefings and roadshows, and press conferences are conducted on a regular basis in order to facilitate communication between the Company, the shareholders and the investors. The Board strives to ensure effective and timely dissemination of information to the shareholders and the investors at all times and reviews regularly the above arrangements to ensure its effectiveness.

During the fourteen months ended 28 February 2014, all Directors attended the annual general meeting of the Company held on 28 May 2013 with the exception of Mr. Tang Yiu, Ms. Hu Xiaoling and Dr. Xue Qiuzhi.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company.

Under the Company's Articles of Association, the Shareholder Communication Policy and other relevant internal procedures of the Company, the shareholders of the Company enjoy, among others, the following rights:

1. Convening Extraordinary General Meetings

Any one or more shareholders of the Company holding not less than one-tenth of the issued share capital of the Company carrying the right of voting at general meetings may require an extraordinary general meeting by a written requisition to the Board or the Company Secretary. The Board shall then hold a general meeting within two months after receipt of such requisition.

2. Participation at General Meetings

The Company encourages shareholders to participate in general meetings, either in person or via proxies, to exercise their rights. The general meetings provide important opportunities for shareholders to express their views to the Board and management. The Company provides details of the general meetings to the shareholders in a notice prior to the meeting in compliance with the Articles of Association of the Company and the Listing Rules. Shareholders are encouraged to ask questions about or comment on the results, operations, strategy and/or management of the Group at general meetings. The chairman of the Board committees, appropriate management executives and auditors of the Company will be available at general meetings to answer questions from shareholders. Time is set aside in each general meeting for such question and answer session.

3. Enquiries and Proposals to the Board

The Shareholder Communication Policy sets out detailed procedures under which the shareholders of the Company may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's investor relation staff for an initial review. The investor relation staff will maintain a log of the correspondences and forward either a summary or a copy of the correspondences to the Board for consideration at its next meeting.

Apart from the above, the shareholders of the Company also have the right to nominate candidates to be Directors of the Company. Following the relevant procedures which are made available to the shareholders, the shareholders may at any time send a notice of nomination setting out the information required to the Nomination Committee of the Company. After evaluation, the Nomination Committee may make recommendation to the Board which will then evaluate the nomination.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN – NON-EXECUTIVE DIRECTOR

Mr. Tang Yiu ("Mr. Tang"), aged 79, is our Non-executive Director, Chairman of the Company and the founder of the Group. Mr. Tang acted as Executive Director of our Company from September 2005 to May 2012. With over 35 years of experience in the footwear manufacturing industry, he is currently the Chairman of The Federation of Hong Kong Footwear Limited and the honorary president of the Sam Shui Natives Association. Mr. Tang was a committee member of the Chinese People's Political Consultative Conference in the Sanshui District of Foshan in the PRC from 2005 to 2012 and a committee member of the China Trade Advisory Committee of Hong Kong Trade Development Council from 2007 to 2011. Mr. Tang has also been awarded with the Certificate of Foshan Honorary Citizenship by the Foshan Municipality in the PRC in November 2004. Mr. Tang is the father of Mr. Tang King Loy, an Executive Director. Mr. Tang also hold directorships in certain subsidiaries of the Company. Mr. Tang is also a director of Profit Leader Holdings Limited and Merry Century Investments Limited, both of which have an interest in the Shares and underlying Shares of the Company required to be disclosed to the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Please refer to pages 31 to 33 for the disclosure of the interest in the Shares and underlying Shares of the Company of Mr. Tang and Profit Leader Holdings Limited under Part XV of the SFO.

EXECUTIVE DIRECTORS

Mr. Sheng Baijiao ("Mr. Sheng"), aged 62, is our Executive Director and the Chief Executive Officer of the Company. Mr. Sheng has joined the Group since 1991 and has over 25 years of experience in the footwear industry. Mr. Sheng is primarily responsible for the Group's overall strategic planning and the management of the Group's business. Prior to joining the Group, Mr. Sheng worked at the China Merchants Shekou Industrial Zone Light & Textile Industries Development Company (招商局蛇口工業區輕紡開發公司). Mr. Sheng is currently the vice chairman of the China Leather Industry Association and the chairman of the ShenZhen Leather Association. Mr. Sheng is an uncle of Mr. Sheng Fang, an Executive Director. Mr. Sheng also holds directorships in certain subsidiaries of the Company. Mr. Sheng is indirectly interested in the issued share capital of Handy Limited, a shareholder of the Company, through a trust which Mr. Sheng is a founder and beneficiary. Mr. Sheng is also a director of Handy Limited. Please refer to pages 31 to 33 for the disclosure of the interest in the Shares and underlying Shares of the Company of Mr. Sheng and Handy Limited under Part XV of the SFO.

Mr. Tang King Loy, aged 43, is our Executive Director and Senior Vice President. Mr. Tang King Loy has joined the Group since 1999 and has over 15 years of experience in footwear industry. Mr. Tang King Loy is primarily responsible for implementation of decisions and policies in regard to the Group's overall business plan as approved by the Board of Directors and the Chief Executive Officer, as well as the management of footwear business. Mr. Tang King Loy graduated from The University of Hong Kong with a Bachelor's degree of science and a Master's degree in physics. He is currently the vice president of The Federation of Hong Kong Footwear Limited. Mr. Tang King Loy has been appointed as one of the authorized representatives of the Company. Mr. Tang King Loy is a son of Mr. Tang, the Chairman and the Non-executive Director of the Company. Mr. Tang King Loy also holds directorships in certain subsidiaries of the Company.

Mr. Sheng Fang, aged 42, is our Executive Director and Senior Vice President. Mr. Sheng Fang has joined the Group since 2005 and has over 15 years of experience in the management of footwear retail business. Mr. Sheng Fang is primarily responsible for operation management of the Group's footwear retail business. Mr. Sheng Fang studied at Tongji University from 1989 to 1993, specializing in electrical engineering. He was a representative of the 13th and 14th People's Congress of Hongkou District, Shanghai. He is currently a council member of College of Design and Innovation and a part-time professor of Innovation & Venture Minor Program of Tongji University. Mr. Sheng Fang is a nephew of Mr. Sheng, the Chief Executive Officer and the Executive Director of the Company. Mr. Sheng Fang also holds directorships in certain subsidiaries of the Company.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Gao Yu ("Mr. Gao"), aged 40, is our Non-executive Director. Mr. Gao was appointed as a Director of the Company in August 2006. He is currently a managing director of the Private Equity Division of Morgan Stanley Asia Limited, primarily focusing on private equity investment activities in China, and an independent non-executive director of China Dongxiang (Group) Co., Ltd. and a non-executive director of Sparkle Roll Group Ltd, both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and a director of Tongkun Group Co., Ltd which is listed on Shanghai Stock Exchange. Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about 5 years. Mr. Gao has worked in Donaldson, Lufkin & Jenrette Inc's Debt Capital Markets Group in New York. Mr. Gao graduated from Stanford University with a Master's degree in engineering-economic systems and operations research as well as from Tsinghua University in Beijing with dual Bachelor degrees in engineering and economics.

Ms. Hu Xiaoling ("Ms Hu"), aged 43, is our Non-executive Director. Ms. Hu was appointed as a Director of the Company in September 2005. She joins CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited. She is also a non-executive director of both SUNAC China Holdings Limited (listed on the Main Board of the Hong Kong Stock Exchange) and SYSWIN Inc. (listed on the New York Stock Exchange). Ms. Hu is a director of Midea Group Co. Ltd. (listed on the Shenzhen Stock Exchange), Anhui Yingliu Electromechanical Co., Limited (listed on the Shanghai Stock Exchange) and Beijing Motie Book Co., Limited as well. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu worked for the Private Equity Division of China International Capital Co., Limited and Arthur Anderson. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University, previously known as Northern Jiaotong University, with a Master's degree in economics and accounting and Bachelor's degree in economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ho Kwok Wah, George ("Mr. Ho"), FCPA (Practising), aged 56, is our Independent Non-executive Director. Mr. Ho was appointed as a Director of the Company in October 2006. Mr. Ho has over 25 years of experience in accounting, auditing and financial management. He is currently a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. From 2001 to 2003, Mr. Ho was the president of The Hong Kong Institute of Accredited Accounting Technicians from 2001 to 2003, and a director of the Taxation Institute of Hong Kong from 2002 to 2013. Mr. Ho is currently the proprietor of George K.W. Ho & Co., Certified Public Accountants. Mr. Ho is also currently a director of the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. Mr. Ho is currently an independent non-executive director and an audit committee member of Town Health International Holdings Limited, as well as an independent non-executive director, chairman of audit committee, and member of remuneration and nomination committee of Rykadan Capital Limited (formerly known as Sundart International Holdings Limited), both being companies listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Chan Yu Ling, Abraham ("Mr. Chan"), aged 53, is our Independent Non-executive Director. Mr. Chan was appointed as a Director of the Company in October 2006. Mr. Chan is a chartered engineer in the United Kingdom, a professional engineer in Ontario, Canada and is currently the Chairman of PuraPharm Corporation Limited. Mr. Chan is also currently a member of the Institution of Structural Engineers in the United Kingdom, a committee member of the Chinese People's Political Consultative Conference in Guangxi Zhuang Autonomous Region in the PRC, the former President and Council Member of the Modernized Chinese Medicine International Association Limited, a member of the Chinese Medicine Development Committee, and a former member of Commission on Strategic Development (Commission Economic Development and Economic Cooperation with the Mainland) and part-time member of the Central Policy Unit of The Government of Hong Kong Special Administrative Region. Mr. Chan graduated from the University of Toronto in Canada with a Bachelor's degree in applied science in 1982.

BIOGRAPHICAL DATA OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Xue Qiuzhi ("Dr. Xue"), aged 62, is our Independent Non-executive Director. Dr. Xue was appointed as a Director of the Company in October 2006. Dr. Xue is currently an associate dean of the School of Management of Fudan University. Dr. Xue has been a professor of Management of Fudan University since 1996. Dr. Xue was the head of the Department of International Business Administration of Fudan University from 1993 to 1999, and the head of the Department of Business Administration at the same university from 1999 to 2003. Dr. Xue graduated from Wuhan University with a Bachelor's degree in economics in 1982 and obtained a Master's degree in political economics and a Doctoral degree in economics from the Universite Libre de Bruxelles in Belgium in 1984 and 1988, respectively.

SENIOR MANAGEMENT

Mr. Song Xiaowu ("Mr. Song"), aged 49, is our deputy general manager who is primarily responsible for the production management of the Group. Mr. Song joined the Group in 1993 and has almost 20 years of experience in the footwear production management. Mr. Song was also previously responsible for various production processes such as production, technology and quality control.

Ms. Li Zhao ("Ms. Li"), aged 56, is our deputy general manager who is primarily responsible for the sales division of our sportswear retail business. Ms. Li had joined the Group in 1995 and left the Group in 1997 for studying in business administration at Shanghai Maritime University. She subsequently rejoined the Group in 2005. Prior to joining the Group, Ms. Li worked for the China Merchants Shekou Industrial Zone Light & Textile Industries Development Company (招商局蛇口工業區輕紡開發公司) and China Textile Academy (中國紡織科學研究院). Ms. Li graduated from Donghua University with a Bachelor's degree in textile mechanical engineering. Ms. Li also holds a Master's degree in business administration from Shanghai Maritime University and a Master of Business Administration for Senior Management from the Shanghai Jiaotong University.

COMPANY SECRETARY

Mr. Leung Kam Kwan ("Mr. Leung"), FCPA, aged 50, is our company secretary and the chief financial manager. Mr. Leung joined the Group in September 2004. Mr. Leung has over 25 years of experience in accounting, financial management and internal control. Prior to joining the Group, Mr. Leung had held various senior positions at listed companies in Hong Kong and had previously worked for KPMG. Mr. Leung graduated from City University of Hong Kong with a Bachelor's degree in accounting. He is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, as well as a member of the Hong Kong Institute of Chartered Secretaries.

Notes:

(1) The Directors' interests in Shares and underlying Shares of the Company, if any, within the meaning of Part XV of the SFO as at 28 February 2014 are disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report. Saved as disclosed above and in this annual report, none of the Directors has any other interest in Shares and underlying Shares within the meaning of Part XV of the SFO.

(2) Save as disclosed in the Directors' respective biographical details under "Biographical Data of Directors and Senior Management" section, the Directors (i) have not held any directorships in other listed public companies, whether in Hong Kong or overseas, during the last three years; and (ii) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

(3) In accordance with article 87 of the Company's articles of association, Mr. Sheng Fang (an Executive Director), Mr. Gao (a Non-executive Director), Ms. Hu (a Non-executive Director) and Dr. Xue (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Mr. Gao, being eligible, offers himself for re-election as an Independent Non-executive Director at the forthcoming annual general meeting. Mr. Sheng Fang, Ms. Hu and Dr. Xue, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF BELLE INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 128, which comprise the consolidated and company balance sheets as at 28 February 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period from 1 January 2013 to 28 February 2014, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 28 February 2014, and of the Group's profit and cash flows for the period from 1 January 2013 to 28 February 2014 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 May 2014

CONSOLIDATED INCOME STATEMENT

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Note	**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)
Revenue	5	**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	6	**450.7**	272.9	335.0
Other expenses		**(15.2)**	—	—
Operating profit	7	**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	8	**408.9**	268.7	316.1
Share of results of associates and a joint venture	20	**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	9	**(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	10	**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	11	***RMB cents***	*RMB cents*	*RMB cents*
– basic		**61.17**	51.60	60.58
– diluted		**61.17**	51.60	60.58

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

Details of dividends payable to equity holders of the Company attributable to the profit for the period/year are set out in Note 12.

* *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

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

* *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	15	**3,691.1**	3,347.2
Land use rights	16	**1,557.0**	1,290.5
Investment properties	17	**324.5**	335.4
Intangible assets	18	**3,469.3**	2,731.6
Interests in associates and a joint venture	20	**688.7**	109.3
Long-term deposits, prepayments and other non-current assets	21	**1,008.3**	603.5
Deferred income tax assets	22	**449.1**	465.6
Structured bank deposits	25	**509.5**	103.5
		11,697.5	8,986.6
Current assets			
Inventories	23	**6,570.6**	7,032.7
Trade receivables	24	**3,284.8**	3,134.3
Deposits, prepayments and other receivables	21	**1,117.5**	1,027.3
Structured bank deposits	25	**6,816.4**	5,642.5
Term deposits with initial terms of over three months	26	**82.1**	492.5
Bank balances and cash	27	**2,825.0**	2,286.9
		20,696.4	19,616.2
Total assets		**32,393.9**	28,602.8

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2014

	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	31	**83.1**	83.1
Share premium		**9,214.1**	9,214.1
Reserves	32	**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	22	**159.6**	110.9
Deferred income		**62.5**	69.2
		222.1	180.1
Current liabilities			
Trade payables	28	**761.2**	1,153.3
Other payables, accruals and other current liabilities	29	**1,518.7**	1,457.6
Short-term borrowings	30	**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

Sheng Baijiao
Director

Tang King Loy
Director

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

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			
Interests in subsidiaries	19	**12,294.7**	10,892.9
Current assets			
Amounts due from subsidiaries	19	**2,242.6**	3,344.1
Prepayments	21	**0.4**	0.5
Bank balances and cash	27	**1.9**	2.0
		2,244.9	3,346.6
Total assets		**14,539.6**	14,239.5
EQUITY			
Capital and reserves			
Share capital	31	**83.1**	83.1
Share premium	31	**9,331.9**	9,331.9
Reserves	32	**2,996.0**	2,489.7
Total equity		**12,411.0**	11,904.7
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	19	**2,126.4**	2,333.2
Other payables and accruals	29	**2.2**	1.6
Total liabilities		**2,128.6**	2,334.8
Total equity and liabilities		**14,539.6**	14,239.5
Net current assets		**116.3**	1,011.8
Total assets less current liabilities		**12,411.0**	11,904.7

Sheng Baijiao
Director

Tang King Loy
Director

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Capital and reserves attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 31)*	Share premium *RMB million*	Merger reserve *RMB million* *(Note 32(b))*	Statutory reserves *RMB million* *(Note 32(c))*	Capital redemption reserve *RMB million*	Exchange reserve *RMB million*	Retained earnings *RMB million*	Sub-total *RMB million*	Non-controlling interests *RMB million*	Total *RMB million*
For the fourteen months ended 28 February 2014										
As at 1 January 2013	**83.1**	**9,214.1**	**3.5**	**915.8**	**0.1**	**(67.2)**	**12,271.1**	**22,420.5**	**142.9**	**22,563.4**
Comprehensive income:										
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**5,159.1**	**5,159.1**	**(31.4)**	**5,127.7**
Other comprehensive loss:										
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(41.0)**	**—**	**(41.0)**	**—**	**(41.0)**
Total comprehensive (loss)/income for the period	**—**	**—**	**—**	**—**	**—**	**(41.0)**	**5,159.1**	**5,118.1**	**(31.4)**	**5,086.7**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(1,349.4)**	**(1,349.4)**	**—**	**(1,349.4)**
Capital contribution from non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**34.6**	**34.6**
Transfer to reserves	**—**	**—**	**—**	**172.5**	**—**	**—**	**(172.5)**	**—**	**—**	**—**
	—	**—**	**—**	**172.5**	**—**	**—**	**(1,521.9)**	**(1,349.4)**	**34.6**	**(1,314.8)**
As at 28 February 2014	**83.1**	**9,214.1**	**3.5**	**1,088.3**	**0.1**	**(108.2)**	**15,908.3**	**26,189.2**	**146.1**	**26,335.3**
For the year ended 31 December 2012										
As at 1 January 2012	83.1	9,214.1	3.5	565.6	0.1	(61.1)	9,618.4	19,423.7	170.1	19,593.8
Comprehensive income:										
Profit for the year	—	—	—	—	—	—	4,352.3	4,352.3	(27.2)	4,325.1
Other comprehensive loss:										
Exchange differences	—	—	—	—	—	(6.1)	—	(6.1)	—	(6.1)
Total comprehensive (loss)/income for the year	—	—	—	—	—	(6.1)	4,352.3	4,346.2	(27.2)	4,319.0
Dividends	—	—	—	—	—	—	(1,349.4)	(1,349.4)	—	(1,349.4)
Transfer to reserves	—	—	—	350.2	—	—	(350.2)	—	—	—
	—	—	—	350.2	—	—	(1,699.6)	(1,349.4)	—	(1,349.4)
As at 31 December 2012	83.1	9,214.1	3.5	915.8	0.1	(67.2)	12,271.1	22,420.5	142.9	22,563.4

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Note	**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	33(a)	**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	20	**(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	33(b)	**(1,767.7)**	(1,520.4)	(1,981.8)
Proceeds from sale of property, plant and equipment	33(c)	**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)

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

* *Voluntary disclosure*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FOURTEEN MONTHS ENDED 28 FEBRUARY 2014

	Note	**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 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	33(d)	**3,705.0**	2,286.9	1,950.4

The notes on pages 56 to 128 are an integral part of these consolidated financial statements.

* *Voluntary disclosure*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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").

These 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 except that certain financial assets and financial liabilities are measured at fair value, as appropriate. Certain comparative figures have been reclassified to conform to the current period's presentation.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of preparation (continued)

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 28 February (or 29 February in a leap year).

Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

(i) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Subsidiaries (continued)

(a) Consolidation (continued)

(i) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less any impairment, if any. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Associates and joint arrangements

(a) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

(b) Joint arrangements

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

If the ownership interest in an associate/a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss in an associate/a joint venture equals or exceeds its interest in an associate/a joint venture, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate/joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in an associate/a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate/joint venture and its carrying value and recognizes the amount adjacent to 'share of results of associates and a joint venture' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates/joint ventures are recognized in the Group's financial statements only to the extent of unrelated investor's interests in the associates/joint ventures. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates/joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gains or losses on dilution of equity interest in associates/joint ventures are recognized in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 30-70 years or useful life
Buildings	20-40 years
Leasehold improvements	1-5 years
Plant and equipment	10 years
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and are recognized in the income statement.

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policies. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period from 37 to 70 years. Amortization of land use rights is calculated on a straight-line basis over the period of leases.

2.9 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is carried at cost, including the related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 35 to 40 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.10 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

(a) Goodwill (continued)

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Acquired distribution and license contracts

Distribution and license contracts acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution and license contracts over their estimated useful lives of 1 to 13 years.

(c) Acquired trademarks

Separately acquired trademarks are carried at cost less accumulated amortization and accumulated impairment losses, if any. Trademarks acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses, if any. Amortization of trademarks that have definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives of 10 to 30 years.

(d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5 years. Cost associated with maintaining computer software programmes are recognized as an expense as incurred.

Computer software development costs recognized as assets are amortized over their estimated useful lives of not exceeding 5 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet ready for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Inventories

Inventories, comprising raw materials, work-in-progress, finished goods and consumables, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor cost, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

2.14 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

(a) Classification (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. The Group's loans and receivables include trade receivables, structured bank deposits, term deposits, bank balance and cash, deposits and other receivables in the consolidated balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period.

As at 28 February 2014 and 31 December 2012, the Group did not hold any significant financial assets at fair value through profit or loss or available-for-sale financial assets.

(b) Recognition and measurement

Loans and receivables are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

(d) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loan and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.17 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates/joint ventures. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.20 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. For a component of the lease payment which is not fixed but is based on future amount of a factor, other than the passage of time, such as percentage of sales or concessionaire fees, the amount is recognized as expenses as it arises.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of asset.

2.22 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to property, plant and equipment and projects are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets and projects.

2.23 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of (i) the amount initially recognized less, where appropriate, cumulative amortization recognized in the income statement over the period of the relevant liabilities and (ii) the amount of which the Group is obliged to reimburse the recipient under the financial guarantee contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts, and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue and income are recognized as follows:

(a) Sales of goods

Revenue from the sales of goods is recognized when the risk and reward of the goods have been transferred to the customer, which is usually at the time when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Commissions from concessionaire sales are recognized upon the sales of goods by the relevant retail outlets.

(c) Interest income is recognized using the effective interest method.

(d) Rental income under operating leases is recognized on a straight-line basis over the lease periods.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the Board of Directors of the Company.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB. The Group also has retail operations in Hong Kong and Macau, of which foreign exchange risk is considered insignificant. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to Hong Kong Dollars ("HK$") and the United States Dollars ("US$").

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK$ and US$ and to mitigate the impact on exchange rate fluctuations. During the fourteen months ended 28 February 2014 and the year ended 31 December 2012, no forward foreign exchange contracts had been entered into by the Group.

The Group's financial assets and liabilities, and transactions arising from its operations do not expose the Group to material foreign exchange risk as the Group's financial assets and liabilities are primarily denominated in the respective group companies' functional currency.

As at 28 February 2014, if RMB has strengthened or weakened by 5% against HK$ with all other variables held constant, profit for the fourteen months ended 28 February 2014 would have been RMB107.6 million (Year ended 31 December 2012: RMB98.2 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of HK$ denominated receivables, bank balance and cash, payables and borrowings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Cash flow and fair value interest-rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash at banks and certain structured bank deposits and term deposits, details of which have been disclosed in Notes 25 to 27. The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 30. Borrowings carry at floating rates expose the Group to cash flow interest-rate risk whereas those carry at fixed rates expose the Group to fair value interest-rate risk. The Group's borrowings were carried at floating rates and expose the Group to cash flow interest-rate risk while a significant part of the Group's structured bank deposits and all of its term deposits with initial terms of over three months were all carried at fixed rates which does not expose the Group to cash flow interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure against cash flow interest-rate risks.

As at 28 February 2014, if interest rate has increased/decreased by 100 basis points with all other variables held constant, profit for the fourteen months ended 28 February 2014 would have been RMB23.6 million (Year ended 31 December 2012: RMB21.8 million) lower/higher, mainly as a result of increase/decrease in interest expense on borrowings.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade and other receivables, cash at banks, structured bank deposits and term deposits with banks, and rental deposits included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales of on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while credit sales are generally on credit terms within 30 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that no provision for uncollectible receivables is required.

The Group also makes deposits (current and non-current) for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

As at 28 February 2014 and 31 December 2012, substantially all the bank balances, structured bank deposits and term deposits with banks as detailed in Notes 25 to 27 are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non- performance by these counterparties.

As at 28 February 2014 and 31 December 2012, the Company provides certain corporate guarantee to its subsidiaries in respect of their banking facilities, details of which have been disclosed in Note 30.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, repayment of borrowings and payment for purchases and operating expenses. The Group also used cash as consideration for settlement of its acquisition of businesses. The Group finances its acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

As at 28 February 2014 and 31 December 2012, the Group's financial liabilities are all due for settlement contractually within 12 months. The undiscounted contractual cash outflow of the Group's financial liabilities are the same as their carrying amounts included in the consolidated balance sheet except for interest element associated with the Group's short-term borrowings of RMB2.7 million (31 December 2012: RMB2.4 million).

As at 28 February 2014 and 31 December 2012, the Company's financial liabilities are all due for settlement contractually within 12 months. The Company also provides certain corporate guarantee to its subsidiaries in respect of their banking facilities, details of which have been disclosed in Note 30.

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Fair value estimation

As at 28 February 2014 and 31 December 2012, the Group and the Company did not have any significant financial assets or financial liabilities in the balance sheet which is measured at fair value.

The carrying amounts of the Group's financial assets, including bank balance and cash, structured bank deposits, term deposits with initial terms of over three months, trade receivables, other receivables, and rental and other deposits; and the Group's financial liabilities, including trade payables, short-term borrowings, other payables, accruals and other current liabilities, approximate their fair values due to their short maturities.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less structured bank deposits (including current and non-current structured bank deposits as shown in the consolidated balance sheet), term deposits with initial terms of over three months and bank balance and cash. Total capital is calculated as "equity", as shown in the consolidated balance sheet plus net debt.

During the fourteen months ended 28 February 2014, the Group's strategy, which was unchanged from prior year, was to maintain a net cash position. As at 28 February 2014 and 31 December 2012, the Group has a net cash position and the aggregate balances of structured bank deposits, term deposits with initial terms of over three months and bank balance and cash exceeded the total balance of borrowings by RMB7,872.9 million (31 December 2012: RMB6,349.1 million).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives, residual values and depreciation charges of property, plant and equipment/useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation/amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 18). Other non-financial assets including property, plant and equipment, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(d) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 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.

CODM has been identified as the executive directors. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM assesses the performance of the business from a product perspective, i.e. by shoes and footwear products and sportswear and apparel products.

CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, and amortization of intangible assets are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Revenue from external customers is after elimination of inter-segment revenue. Sales between segments are carried out at mutually agreed terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, interests in associates and a joint venture, investment properties and corporate assets (including certain corporate property, plant and equipment, cash and bank balances, term deposits and structured bank deposits), all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, short-term borrowings and other corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

5 SEGMENT INFORMATION (continued)

	Fourteen months ended 28 February 2014				
	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	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
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

5 SEGMENT INFORMATION (continued)

	Year ended 31 December 2012				
	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	21,045.3	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

5 SEGMENT INFORMATION (continued)

	Fourteen months ended 28 February 2013				
	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	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

5 SEGMENT INFORMATION (continued)

	As at 28 February 2014				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *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

5 SEGMENT INFORMATION (continued)

	As at 31 December 2012				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *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

5 SEGMENT INFORMATION (continued)

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	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*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	**Hong Kong and Macau**	**Other locations**	**Total**
	RMB million	*RMB million*	*RMB million*	*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

6 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.

7 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 *(Note 15)*	**1,113.9**	815.9	965.0
Depreciation on investment properties *(Note 17)*	**9.8**	0.7	2.0
Amortization of intangible assets *(Note 18)*	**120.8**	70.0	91.0
Amortization of land use rights *(Note 16)*	**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) *(Note 13)*	**6,594.8**	4,767.2	5,605.1
Loss on disposal of property, plant and equipment *(Note 33(c))*	**2.3**	7.4	7.4
Write-off of property, plant and equipment *(Note 15)*	**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.

8 FINANCE INCOME, NET

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*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

9 INCOME TAX EXPENSE

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*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 *(Note 22)*	**(10.3)**	(167.4)	(107.5)
	1,920.0	1,351.4	1,618.3

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Company, as being wholly foreign-owned enterprises in Shenzhen, the PRC. These subsidiaries are entitled to a two-year exemption for income taxes followed by 50% reduction in income taxes for the ensuing three years. All these tax concessions had expired by the end of 2012.

9 INCOME TAX EXPENSE (continued)

During the fourteen months ended 28 February 2014, substantially all of the PRC incorporated subsidiaries of the Company are subject to PRC corporate income tax rate of 25%. During the year ended 31 December 2012, except for one of the subsidiaries, as being a wholly foreign-owned enterprise in Shenzhen which was still subject to a reduced tax rate of 12.5%, substantially all of the PRC incorporated subsidiaries which of the Company were subject to PRC corporate income tax rate of 25%.

Hong Kong profits tax and Macau income tax have been provided for at the rate of 16.5% (Year ended 31 December 2012: 16.5%) and at tax rates prevailing in Macau respectively on the estimated assessable profit for the period.

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follow:

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Profit before income tax	**7,047.7**	5,676.5	6,691.8
Tax calculated at the applicable domestic tax rate of respective companies *(note)*	**1,689.3**	1,348.2	1,583.0
Effect of tax holidays of PRC subsidiaries	**—**	(68.4)	(68.4)
Non-taxable income	**(2.1)**	(0.6)	(1.5)
Expenses not deductible for tax purposes	**22.5**	21.6	29.7
Recognition of previously unrecognized tax losses	**—**	(19.3)	(19.3)
Tax losses for which no deferred income tax assets was recognized	**15.2**	29.4	37.9
Utilization of previously unrecognized tax losses	**(6.0)**	(2.4)	(2.8)
Over-provision in prior years	**(30.9)**	(40.9)	(40.9)
Withholding tax	**232.0**	83.8	100.6
	1,920.0	1,351.4	1,618.3

Note:

The weighted average applicable tax rate for the fourteen months ended 28 February 2014 is 24.0% (Year ended 31 December 2012: 23.8%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the fourteen months ended 28 February 2014 is dealt with in the financial statements of the Company to the extent of RMB1,855.7 million (Year ended 31 December 2012: RMB1,506.3 million).

11 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.

12 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.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Wages, salaries and bonuses	**5,495.4**	4,012.8	4,712.7
Pensions costs – defined contribution plans *(note)*	**905.1**	597.1	708.2
Welfare and other expenses	**194.3**	157.3	184.2
	6,594.8	4,767.2	5,605.1

Note:

The PRC defined contribution plan

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its relevant employees in the PRC. The Group's relevant employees make monthly contributions to the schemes at 8% to 11% of the relevant income (comprising wages, salaries, allowances and bonuses), while the Group contributes 10% to 35% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

Hong Kong defined contribution plan

The Group has a defined contribution pension scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's monthly contributions are subject to a cap of HK$1,000 prior to 1 June 2012 and HK$1,250 thereafter and contributions beyond these amounts are voluntary. The contributions are fully and immediately vested upon payment.

The Group has no further obligations for post-retirement benefits in relation to its Hong Kong employees beyond the contributions to the MPF Scheme.

14 EMOLUMENTS FOR DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION BY BAND

(a) Directors' and Chief Executive Officer's emoluments

The remuneration of each Director of the Company and the Chief Executive Officer is set out below:

	Fees	Salaries[1]	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fourteen months ended 28 February 2014					
Executive Directors					
Sheng Baijiao [2]	**—**	**3,780**	**4,360**	**—**	**8,140**
Tang King Loy	**—**	**2,583**	**1,200**	**14**	**3,797**
Sheng Fang	**—**	**1,848**	**1,916**	**67**	**3,831**
Non-executive Directors					
Tang Yiu [3]	**—**	**—**	**—**	**—**	**—**
Gao Yu	**—**	**—**	**—**	**—**	**—**
Hu Xiaoling	**—**	**—**	**—**	**—**	**—**
Independent Non-executive Directors					
Chan Yu Ling, Abraham	**175**	**—**	**—**	**—**	**175**
Ho Kwok Wah, George	**175**	**—**	**—**	**—**	**175**
Xue Qiuzhi	**175**	**—**	**—**	**—**	**175**
	525	**8,211**	**7,476**	**81**	**16,293**
Year ended 31 December 2012					
Executive Directors					
Sheng Baijiao [2]	—	3,258	4,342	7	7,607
Tang King Loy	—	2,211	648	11	2,870
Sheng Fang	—	1,589	1,911	33	3,533
Non-executive Directors					
Tang Yiu [3]	—	1,620	—	—	1,620
Gao Yu	—	—	—	—	—
Hu Xiaoling	—	—	—	—	—
Independent Non-executive Directors					
Chan Yu Ling, Abraham	150	—	—	—	150
Ho Kwok Wah, George	150	—	—	—	150
Xue Qiuzhi	150	—	—	—	150
	450	8,678	6,901	51	16,080

14 EMOLUMENTS FOR DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION BY BAND (continued)

(a) Directors' and Chief Executive Officer's emoluments (continued)

(1) Includes basic salaries, housing allowance, other allowances and benefits in kind.

(2) Mr. Sheng Baijiao is also the Chief Executive Officer of the Group.

(3) Mr. Tang Yiu retired as an Executive Director and was re-elected as a Non-executive Director effective from the conclusion of 2011 annual general meeting held on 29 May 2012.

(b) Five highest paid individuals

The five highest paid individuals included 3 (Year ended 31 December 2012: 2) Directors, whose emoluments are included in the above disclosure. The emoluments of the remaining 2 (Year ended 31 December 2012: 3) individuals during the period/year are as follows:

	Fourteen months ended 28 February 2014 *RMB'000*	Year ended 31 December 2012 *RMB'000*
Salaries, allowances and benefits in kind	**3,668**	5,471
Bonuses	**3,856**	5,165
Pensions costs – defined contribution plans	**78**	45
	7,602	10,681

	Number of individuals	
	Fourteen months ended 28 February 2014	Year ended 31 December 2012
HK$3,500,001 (equivalent to RMB2,799,001) to HK$4,000,000 (equivalent to RMB3,199,000)	**—**	1
HK$4,000,001 (equivalent to RMB3,199,001) to HK$4,500,000 (equivalent to RMB3,599,000)	**—**	1
HK$4,500,001 (equivalent to RMB3,599,001) to HK$5,000,000 (equivalent to RMB3,999,000)	**2**	1
	2	3

14 EMOLUMENTS FOR DIRECTORS, CHIEF EXECUTIVE, FIVE HIGHEST PAID INDIVIDUALS AND SENIOR MANAGEMENT REMUNERATION BY BAND (continued)

(b) Five highest paid individuals (continued)

During the period, no emoluments have been paid to the Directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (Year ended 31 December 2012: Nil).

(c) Senior management remuneration by band

The senior management's remuneration by band are as follows:

	Number of individuals	
	Fourteen months ended 28 February 2014	Year ended 31 December 2012
HK$3,500,001 (equivalent to RMB2,799,001) to HK$4,000,000 (equivalent to RMB3,199,000)	**1**	1
HK$4,000,001 (equivalent to RMB3,199,001) to HK$4,500,000 (equivalent to RMB3,599,000)	**—**	1
HK$4,500,001 (equivalent to RMB3,599,001) to HK$5,000,000 (equivalent to RMB3,999,000)	**1**	—
	2	2

15 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB million	Leasehold improvements RMB million	Plant and equipment RMB million	Furniture and fixtures and other equipment RMB million	Motor vehicles RMB million	Construction in progress RMB million	Total RMB million
Cost							
As at 1 January 2012	1,514.6	1,610.7	479.2	392.8	105.4	188.6	4,291.3
Additions	80.3	856.0	61.0	113.5	20.2	205.7	1,336.7
Transfer upon completion	240.1	—	—	—	—	(240.1)	—
Disposals	—	—	(5.7)	(31.2)	(11.2)	—	(48.1)
Written-off	(2.3)	(350.9)	(8.4)	(5.9)	(0.5)	—	(368.0)
Exchange differences	0.1	—	—	—	—	—	0.1
As at 31 December 2012 and 1 January 2013	**1,832.8**	**2,115.8**	**526.1**	**469.2**	**113.9**	**154.2**	**5,212.0**
Acquisition of subsidiaries *(Note 34)*	**—**	**61.2**	**—**	**10.2**	**2.5**	**—**	**73.9**
Additions	**3.6**	**784.1**	**52.3**	**79.4**	**21.3**	**503.7**	**1,444.4**
Transfer upon completion	**166.9**	**—**	**—**	**—**	**—**	**(166.9)**	**—**
Disposals	**—**	**—**	**(4.5)**	**(34.2)**	**(10.1)**	**—**	**(48.8)**
Written-off	**(2.9)**	**(454.7)**	**(0.1)**	**(1.9)**	**—**	**—**	**(459.6)**
Exchange differences	**(7.5)**	**(3.1)**	**(0.4)**	**(0.5)**	**(0.1)**	**—**	**(11.6)**
As at 28 February 2014	**1,992.9**	**2,503.3**	**573.4**	**522.2**	**127.5**	**491.0**	**6,210.3**
Accumulated depreciation							
As at 1 January 2012	198.1	807.8	145.6	224.6	63.6	—	1,439.7
Charge for the year	58.8	621.5	45.3	78.1	12.2	—	815.9
Disposals	—	—	(2.6)	(19.3)	(6.8)	—	(28.7)
Written-off	(0.5)	(347.3)	(8.3)	(5.5)	(0.5)	—	(362.1)
As at 31 December 2012 and 1 January 2013	**256.4**	**1,082.0**	**180.0**	**277.9**	**68.5**	**—**	**1,864.8**
Charge for the period	**111.9**	**848.7**	**51.8**	**85.1**	**16.4**	**—**	**1,113.9**
Disposals	**—**	**—**	**(3.6)**	**(26.0)**	**(6.3)**	**—**	**(35.9)**
Written-off	**(0.7)**	**(417.4)**	**(0.1)**	**(1.5)**	**—**	**—**	**(419.7)**
Exchange differences	**(0.8)**	**(2.5)**	**(0.2)**	**(0.4)**	**—**	**—**	**(3.9)**
As at 28 February 2014	**366.8**	**1,510.8**	**227.9**	**335.1**	**78.6**	**—**	**2,519.2**
Net book value							
As at 28 February 2014	**1,626.1**	**992.5**	**345.5**	**187.1**	**48.9**	**491.0**	**3,691.1**
As at 31 December 2012	1,576.4	1,033.8	346.1	191.3	45.4	154.2	3,347.2

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Net book value of leasehold land and buildings are analyzed as follows:

	As at 28 February 2014 ***RMB million***	As at 31 December 2012 *RMB million*
Leasehold land and buildings in Hong Kong held on leases of between 10 and 50 years	**287.7**	304.0
Buildings outside Hong Kong held on leases of between 10 and 50 years	**1,338.4**	1,272.4
	1,626.1	1,576.4

16 LAND USE RIGHTS

	As at 28 February 2014 ***RMB million***	As at 31 December 2012 *RMB million*
Cost		
As at 1 January	**1,398.5**	906.1
Additions	**297.6**	492.4
As at 28 February/31 December	**1,696.1**	1,398.5
Accumulated amortization		
As at 1 January	**108.0**	88.4
Amortization for the period/year	**31.1**	19.6
As at 28 February/31 December	**139.1**	108.0
Net book value as at 28 February/31 December	**1,557.0**	1,290.5

Net book value of land use rights are analyzed as follows:

	As at 28 February 2014 ***RMB million***	As at 31 December 2012 *RMB million*
Outside Hong Kong, held on:		
Leases of between 10 and 50 years	**1,462.5**	1,290.5
Leases of over 50 years	**94.5**	—
	1,557.0	1,290.5

17 INVESTMENT PROPERTIES

	As at 28 February 2014 RMB million	As at 31 December 2012 RMB million
Cost		
As at 1 January	**339.3**	14.2
Transfer from non-current assets held for sale	**—**	49.3
Additions	**—**	275.8
Exchange differences	**(1.1)**	—
As at 28 February/31 December	**338.2**	339.3
Accumulated depreciation		
As at 1 January	**3.9**	3.2
Charge for the period/year	**9.8**	0.7
As at 28 February/31 December	**13.7**	3.9
Net book value as at 28 February/31 December	**324.5**	335.4

Net book value of investment properties are analyzed as follows:

	As at 28 February 2014 RMB million	As at 31 December 2012 RMB million
Investment properties situated on land in Hong Kong held on leases of between 10 and 50 years	**46.6**	49.3
Investment properties situated on land outside Hong Kong held on leases of between 10 and 50 years	**277.9**	286.1
	324.5	335.4

The valuation of the investment properties as at 28 February 2014 (including the related land use rights with net book value of RMB401.6 million (31 December 2012: RMB413.3 million)) was RMB1,178.8 million (31 December 2012: RMB942.3 million), which was determined by the Directors of the Company on an open market value basis using the sale comparison approach. This valuation is measured at 28 February 2014 using significant other observable inputs, which is categorized as level 2 in fair value hierarchy. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter.

Direct outgoings from investment properties that generated rental income had been recognized within other expenses.

18 INTANGIBLE ASSETS

	Goodwill *RMB million*	Distribution and license contracts *RMB million*	Trademarks *RMB million*	Computer software *RMB million*	Total *RMB million*
Cost					
As at 1 January 2012	2,195.6	413.1	539.5	32.0	3,180.2
Additions	—	—	—	11.3	11.3
Written-off	—	(27.9)	—	—	(27.9)
As at 31 December 2012 and 1 January 2013	**2,195.6**	**385.2**	**539.5**	**43.3**	**3,163.6**
Acquisition of subsidiaries *(Note 34)*	**535.3**	**303.0**	**—**	**—**	**838.3**
Additions	**—**	**—**	**—**	**20.2**	**20.2**
As at 28 February 2014	**2,730.9**	**688.2**	**539.5**	**63.5**	**4,022.1**
Accumulated amortization					
As at 1 January 2012	—	271.9	98.7	19.3	389.9
Amortization for the year	—	41.6	19.2	9.2	70.0
Written-off	—	(27.9)	—	—	(27.9)
As at 31 December 2012 and 1 January 2013	**—**	**285.6**	**117.9**	**28.5**	**432.0**
Amortization for the period	**—**	**90.3**	**22.4**	**8.1**	**120.8**
As at 28 February 2014	**—**	**375.9**	**140.3**	**36.6**	**552.8**
Net book value					
As at 28 February 2014	**2,730.9**	**312.3**	**399.2**	**26.9**	**3,469.3**
As at 31 December 2012	2,195.6	99.6	421.6	14.8	2,731.6

During the period, amortization expense of RMB120.8 million (Year ended 31 December 2012: RMB70.0 million) has been included in administrative expenses.

18 INTANGIBLE ASSETS (continued)

Goodwill is allocated to the Group's CGUs identified according to operating segments.

An operating segment-level summary of the goodwill allocation at cost before impairment is presented below:

	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total *RMB million*
As at 31 December 2013 and 28 February 2014			
The PRC	**1,638.5**	**1,020.6**	**2,659.1**
Hong Kong	**71.8**	**—**	**71.8**
	1,710.3	**1,020.6**	**2,730.9**
As at 31 December 2012			
The PRC	1,638.5	485.3	2,123.8
Hong Kong	71.8	—	71.8
	1,710.3	485.3	2,195.6

Impairment review on the goodwill of the Group has been conducted by the management as at 31 December 2013 and 28 February 2014 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 2%. The growth rates used do not exceed the industry growth forecast for the market in which the Group operates.

18 INTANGIBLE ASSETS (continued)

As at 31 December 2013 and 28 February 2014, key assumptions used for value-in-use calculations:

	Shoes and footwear products		Sportswear and apparel products
	The PRC	Hong Kong	The PRC
Gross margin	18%–70%	72%–78%	40%
5 years annual growth rate	11%	5%	10%

The discount rate used of 18.3% is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

19 INTERESTS IN SUBSIDIARIES – THE COMPANY

	As at 28 February 2014	As at 31 December 2012
	RMB million	*RMB million*
Unlisted equity investments, at cost	**4,333.5**	4,333.5
Loans to subsidiaries *(note (a))*	**7,961.2**	6,559.4
	12,294.7	10,892.9
Amounts due from subsidiaries *(note (b))*	**2,242.6**	3,344.1
Amounts due to subsidiaries *(note (b))*	**2,126.4**	2,333.2

Notes:

(a) Loans to subsidiaries are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to the subsidiaries.

(b) Amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in RMB and approximate their fair values due to their short maturities.

(c) Particulars of the principal subsidiaries of the Company are set out in Note 39.

(d) As at 28 February 2014, total non-controlling interests was RMB146.1 million (31 December 2012: RMB142.9 million) and attributable to Sky Sino Limited ("Sky Sino"), Best Sail International Holdings Limited ("Best Sail") and Baroque China Apparels Limited (31 December 2012: Sky Sino and Best Sail), all of them are not material to the Group.

20 INTERESTS IN ASSOCIATES AND A JOINT VENTURE

The amounts recognized in the consolidated balance sheet are as follows:

	As at 28 February 2014 **_RMB million_**	As at 31 December 2012 *RMB million*
Associates	**648.4**	50.3
Joint venture	**40.3**	59.0
	688.7	109.3

	As at 28 February 2014 **_RMB million_**	As at 31 December 2012 *RMB million*
At 1 January	**109.3**	61.6
Capital contribution during the period/year	**23.1**	37.8
Acquisition of an associate *(note (i))*	**582.9**	—
Share of results of associates and a joint venture	**4.8**	4.9
Exchange differences	**(31.4)**	—
	688.7	104.3
Loan to a joint venture	**—**	5.0
At 28 February/31 December	**688.7**	109.3

Summarized financial information in respect of the Group's associates and a joint venture is set out below:

	As at 28 February 2014 **_RMB million_**	As at 31 December 2012 *RMB million*
Total assets	**3,200.1**	370.5
Total liabilities	**(1,544.5)**	(111.2)

20 INTERESTS IN ASSOCIATES AND A JOINT VENTURE (continued)

	Fourteen Months ended 28 February 2014	Year ended 31 December 2012
	RMB million	*RMB million*
Total revenue	**2,393.2**	375.3
Total profit	**31.1**	13.7
Share of results of associates and a joint venture	**4.8**	4.9

Notes:

(i) Pursuant to a share purchase agreement entered into by Mutual Crown Limited ("Mutual Crown"), a wholly-owned subsidiary of the Company, CDH Runway Investment (HK) Limited and CLSA Sunrise Capital, L.P. ("CLSA") on 5 August 2013, Mutual Crown has agreed to acquire approximately 31.96% of the total issued and outstanding share capital of Baroque Japan Limited ("Baroque"), a company incorporated in Japan and principally engaged in apparel and accessories retail business in Asia, for a consideration of US$93,963,022 (approximately RMB582.9 million) from CLSA. This acquisition has been completed on 22 August 2013.

(ii) Baroque's financial year end date is 31 January. The non-coterminous year end dates of Baroque and the Group does not have any significant impact to the Group.

(iii) The above summarized financial information includes financial information of Baroque from the date of acquisition to its financial year end date. A majority of the total assets, total liabilities and total revenue as stated above were attributable to Baroque.

(iv) Particulars of the associates and a joint venture of the Group are set out in Note 40. None of these entities are currently considered as material to the Group.

(v) There are no contingent liabilities relating to the Group's interests in the associates and the joint venture and these entities also had no material contingent liabilities.

21 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	As at 28 February 2014	As at 31 December 2012	**As at 28 February 2014**	As at 31 December 2012
	RMB million	*RMB million*	***RMB million***	*RMB million*
Non-current				
Rental deposits and prepayments	**218.0**	255.1	**—**	—
Prepayments for capital expenditures	**88.3**	82.9	**—**	—
Prepayments for acquisition of subsidiaries *(note)*	**665.0**	264.0	**—**	—
Others	**37.0**	1.5	**—**	—
	1,008.3	603.5	**—**	—
Current				
Rental deposits and prepayments	**735.1**	567.7	**—**	—
Value-added tax recoverables	**132.4**	176.9	**—**	—
Other receivables	**114.8**	211.9	**—**	—
Other prepayments	**68.6**	38.4	**0.4**	0.5
Advance to associates *(Note 37)*	**24.6**	32.4	**—**	—
Advance to a joint venture *(Note 37)*	**42.0**	—	**—**	—
	1,117.5	1,027.3	**0.4**	0.5

The carrying amounts of deposits and other receivables approximate their fair values.

Note:

As at 28 February 2014, prepayments were made on acquisition of 龍浩天地股份有限公司 ("Longhao Company Limited" or "Longhao"), details of which have been disclosed in Note 38. As at 31 December 2012, prepayments were made on acquisition of Big Step Limited ("Big Step"), details of which have been disclosed in Note 34(a).

22 DEFERRED INCOME TAXES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Net deferred income tax assets recognized on the balance sheet	**449.1**	465.6
Net deferred income tax liabilities recognized on the balance sheet	**(159.6)**	(110.9)
	289.5	354.7

The movements in the deferred income tax assets/(liabilities) account are as follows:

	Accelerated tax depreciation *RMB million*	Unrealized profit and impairment losses on closing inventories *RMB million*	Distribution and license contracts *RMB million*	Trademarks *RMB million*	Tax losses *RMB million*	Others *RMB million*	Total *RMB million*
At 1 January 2012	(0.6)	358.9	(18.4)	(103.9)	11.2	(59.9)	187.3
Credited to the income statement *(Note 9)*	—	29.2	8.7	3.6	66.3	59.6	167.4
At 31 December 2012 and 1 January 2013	**(0.6)**	**388.1**	**(9.7)**	**(100.3)**	**77.5**	**(0.3)**	**354.7**
Acquisition of Subsidiaries *(Note 34)*	**—**	**—**	**(75.8)**	**—**	**0.3**	**—**	**(75.5)**
Credited/(charged) to the income statement *(Note 9)*	**0.1**	**(4.7)**	**15.0**	**11.9**	**(19.6)**	**7.6**	**10.3**
At 28 February 2014	**(0.5)**	**383.4**	**(70.5)**	**(88.4)**	**58.2**	**7.3**	**289.5**

As at 28 February 2014 and 31 December 2012, except for the deferred income tax assets on unrealized profit and impairment losses on closing inventories were expected to be recoverable within 12 months, substantially all remaining balances of other deferred income tax assets and liabilities were expected to be recoverable more than 12 months.

22 DEFERRED INCOME TAXES (continued)

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. At 28 February 2014, the Group had unrecognized tax losses to be carried forward against future taxable income amounted to RMB339.9 million (31 December 2012: RMB375.3 million).

The expiry of unrecognized tax losses are as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Tax losses expiring after 5 years	**135.4**	202.7
Tax losses expiring within 5 years	**204.5**	172.6
	339.9	375.3

As at 28 February 2014, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB91.6 million (31 December 2012: RMB94.7 million).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Company's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB566.9 million (31 December 2012: approximately RMB627.1 million) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to undistributed profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

23 INVENTORIES

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Raw materials	**303.2**	225.6
Work in progress	**31.4**	71.9
Finished goods	**6,316.5**	6,802.0
Consumables	**6.0**	2.8
	6,657.1	7,102.3
Less: provision for impairment losses	**(86.5)**	(69.6)
	6,570.6	7,032.7

24 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 and are denominated in the following currencies:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
RMB	**3,263.0**	3,089.3
HK$	**21.8**	45.0
	3,284.8	3,134.3

As at 28 February 2014, trade receivables of RMB3,258.1 million (31 December 2012: RMB3,098.0 million) were neither past due nor impaired. The credit quality of these trade receivables has been assessed with reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

24 TRADE RECEIVABLES (continued)

As at 28 February 2014, trade receivables of RMB26.7 million (31 December 2012: RMB36.3 million) were past due but for which no impairment loss has been provided by the Group. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	As at 28 February 2014 ***RMB million***	As at 31 December 2012 *RMB million*
61 to 90 days	**7.8**	26.5
91 to 150 days	**18.9**	9.8
	26.7	36.3

During the period, no trade receivables were impaired and written off (Year ended 31 December 2012: Nil). No trade receivables are considered to be impaired as at 28 February 2014 and 31 December 2012.

25 STRUCTURED BANK DEPOSITS

All of the Group's structured bank deposits were placed with major state-owned banks in the PRC with fixed maturities and fixed interest rates or fixed plus floating interest rates.

As at 28 February 2014, approximately 70% (31 December 2012: 72%) of the Group's structured bank deposits will mature within 6 months of which RMB880.0 million (31 December 2012: Nil) was qualified as cash and cash equivalent (Note 33(d)). The weighted average effective interest rate of the Group's structured bank deposits as at 28 February 2014 was 5.63% (31 December 2012: 5.59%) per annum. These balances are denominated in RMB.

26 TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 28 February 2014 was 3.31% (31 December 2012: 3.95%) per annum. These balances are denominated in RMB.

27 BANK BALANCES AND CASH

	Group		Company	
	As at 28 February 2014	As at 31 December 2012	**As at 28 February 2014**	As at 31 December 2012
	RMB million	*RMB million*	***RMB million***	*RMB million*
Bank balances and cash	**2,151.7**	1,536.7	**1.9**	2.0
Term deposits with initial terms of less than three months	**673.3**	750.2	**—**	—
	2,825.0	2,286.9	**1.9**	2.0
Denominated in:				
RMB	**2,491.8**	2,014.1	**—**	—
HK$	**195.5**	179.4	**1.9**	2.0
Other currencies	**137.7**	93.4	**—**	—
	2,825.0	2,286.9	**1.9**	2.0

As at 28 February 2014, the weighted average effective interest rate of the Group's term deposits with initial terms of less than three months was 1.77% (31 December 2012: 1.81%) per annum.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

28 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	As at 31 December 2012
	RMB million	*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

28 TRADE PAYABLES (continued)

The carrying amounts of trade payables approximate their fair values and are denominated in the following currencies:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
RMB	**734.7**	1,119.5
HK$	**9.8**	11.5
Other currencies	**16.7**	22.3
	761.2	1,153.3

29 OTHER PAYABLES, ACCRUALS AND OTHER CURRENT LIABILITIES

	Group		**Company**	
	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*	**As at 28 February 2014** *RMB million*	As at 31 December 2012 *RMB million*
Accrued wages, salaries, bonus and staff welfare	**526.8**	573.9	**—**	—
Value-added tax, business tax and other taxes payables	**403.3**	365.7	**—**	—
Customers' deposits	**306.9**	266.6	**—**	—
Other accrued expenses and payables	**281.7**	251.4	**2.2**	1.6
	1,518.7	1,457.6	**2.2**	1.6

30 SHORT-TERM BORROWINGS

(a) 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 dollar and approximate their fair values. All these bank borrowings are wholly repayable within 5 years.

(b) The Group's banking facilities, including borrowings, trade finance and other general banking facilities are guaranteed as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Cross guarantees among subsidiaries of the Company	**2,522.2**	2,782.4
Guaranteed by the Company	**3,549.7**	3,829.2
Corresponding banking facilities utilized	**2,436.9**	2,261.9

31 SHARE CAPITAL AND SHARE PREMIUM

Share capital – Group and Company

	Ordinary shares of HK$0.01 each ***Number of shares***	**Nominal amount** ***RMB million***
Authorized:		
As at 1 January 2012, 31 December 2012 and 28 February 2014	**30,000,000,000**	**296.0**
Issued and fully paid:		
As at 1 January 2012, 31 December 2012 and 28 February 2014	**8,434,233,000**	**83.1**

31 SHARE CAPITAL AND SHARE PREMIUM (continued)

Share premium – Company

	RMB million
As at 1 January 2012, 31 December 2012 and 28 February 2014	**9,331.9**

Under the Companies Law. Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Share option scheme

Pursuant to a shareholders' resolution passed on 27 April 2007, the Company has adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders of the Company and to retain and attract high caliber and working partners whose contributions are or may be beneficial to the growth and development of the Group.

Pursuant to the Share Option Scheme, the Board may at its discretion grant options to (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive directors (including independent non-executive directors) of the Company, any member of the Group or any Invested Entity ((i) and (ii) collectively referred to as "Eligible Employees"); (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, adviser, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively referred to as "Qualified Participants").

The Share Option Scheme shall be valid and effective for 10 years from the date on which the shares of the Company first commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in which options may be granted under the Share Option Scheme or any other share option schemes as may be adopted by the Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of shares in issue of the Listing Date, unless such scheme mandate limit is renewed by shareholders of the Company in a general meeting.

No options have been granted under the share option scheme by the Group since its adoption and up to 28 February 2014.

32 RESERVES

Group

(a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

(b) Under the Company Law. Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the merger reserve is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

The merger reserve of the Group mainly represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company pursuant to the reorganization of the Group that took place in 2005.

(c) Statutory reserves are non-distributable and the transfers of these funds are determined by the board of directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

Company

	Capital redemption reserve *RMB million*	**Retained earnings** *RMB million*	**Total** *RMB million*
As at 1 January 2012	0.1	2,332.7	2,332.8
Profit for the year	—	1,506.3	1,506.3
Dividends paid	—	(1,349.4)	(1,349.4)
As at 31 December 2012 and 1 January 2013	**0.1**	**2,489.6**	**2,489.7**
Profit for the period	**—**	**1,855.7**	**1,855.7**
Dividends paid	**—**	**(1,349.4)**	**(1,349.4)**
As at 28 February 2014	**0.1**	**2,995.9**	**2,996.0**

33 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit for the period/year to net cash generated from operations

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Profit for the period/year	**5,127.7**	4,325.1	5,073.5
Adjustments for:			
Income tax expense	**1,920.0**	1,351.4	1,618.3
Share of results of associates and a joint venture	**(4.8)**	(4.9)	(4.3)
Amortization of land use rights and intangible assets	**151.9**	89.6	115.3
Depreciation on property, plant and equipment	**1,113.9**	815.9	965.0
Depreciation on investment properties	**9.8**	0.7	2.0
Impairment losses of inventories	**16.9**	7.0	7.0
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
Interest income	**(421.9)**	(302.8)	(354.4)
Interest expense	**39.7**	40.7	47.1
Others	**(46.7)**	(13.9)	(18.0)
	7,948.7	6,322.1	7,470.9
Changes in working capital:			
Decrease in non-current deposits, prepayments and other non-current assets	**1.7**	27.5	53.9
Decrease/(increase) in inventories	**909.7**	(523.1)	451.7
Decrease/(increase) in trade receivables	**74.5**	(388.4)	(786.4)
Decrease in deposits, prepayments and other receivables	**34.5**	726.1	101.4
Decrease in trade payables	**(587.4)**	(95.0)	(472.1)
(Decrease)/increase in other payables, accruals, other current and non-current liabilities	**(633.8)**	132.8	157.4
Net cash generated from operations	**7,747.9**	6,202.0	6,976.8

33 CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) In the statement of cash flows, payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets are analyzed as follows:

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Additions to:			
Property, plant and equipment	**1,444.4**	1,336.7	1,662.2
Land use rights	**297.6**	492.4	501.8
Investment properties	**—**	275.8	275.8
Intangible assets	**20.2**	11.3	12.3
Increase/(decrease) in prepayments	**5.5**	(595.8)	(470.3)
	1,767.7	1,520.4	1,981.8

(c) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Fourteen months ended 28 February 2014	Year ended 31 December 2012	Fourteen months ended 28 February 2013
	RMB million	*RMB million*	*RMB million*
Net book value	**12.9**	19.4	19.5
Loss on disposal	**(2.3)**	(7.4)	(7.4)
Proceeds from sale	**10.6**	12.0	12.1

(d) Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:

	As at 28 February 2014	As at 31 December 2012
	RMB million	*RMB million*
Bank balances and cash	**2,825.0**	2,286.9
Structured bank deposits	**880.0**	—
	3,705.0	2,286.9

34 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Big Step Limited

On 20 March 2012, Synergy Eagle Limited (the "Buyer"), a wholly-owned subsidiary of the Company, and an independent third party (the "Seller") entered into a share purchase agreement pursuant to which the Seller agreed to sell to the Buyer the entire equity interests in Big Step ("Acquisition"). The Acquisition was completed by the end of March 2013 and the control of Big Step was effectively passed to the Group on 1 April 2013.

Big Step and its subsidiaries are principally engaged in the sales and distribution of sportswear products in the PRC. The products sold by Big Step and its subsidiaries are mainly under the brands of Nike and Adidas, which are generally in line with the existing business of the Group. As a result of the Acquisition, the Group expects to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB517.1 million arising from the Acquisition is attributable to the operational synergy to be attained.

The following table summarizes the consideration paid for Big Step, the fair value of assets acquired and liabilities assumed at the date of Acquisition.

	RMB million
Total cash consideration, settled	**880.0**

Fair value of identifiable assets acquired and liabilities assumed

	RMB million
Property, plant and equipment *(Note 15)*	**65.5**
Trade and other receivables	**327.2**
Inventories	**457.4**
Other intangible assets *(Note 18)*	**249.0**
Deferred income tax assets	**0.3**
Term deposits with initial terms of over three months	**141.0**
Bank balances and cash	**60.2**
Trade and other payables	**(862.1)**
Deferred income tax liabilities	**(62.3)**
Current income tax liabilities	**(13.3)**
Total identifiable net assets	**362.9**
Goodwill *(Note 18)*	**517.1**
	880.0

34 ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Big Step Limited (continued)

During the period, the Acquisition was completed and the Group commenced to account for the business combination from the effective date when the Group gained controls over Big Step. Acquisition-related costs were not significant and have been charged to general and administrative expenses.

The revenue and the results contributed by Big Step to the Group for the period since the Acquisition were relatively insignificant to the Group. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on 1 January 2013.

(b) Other acquisition

In December 2013, the Group completed an acquisition of an apparel retail business in the PRC from an associate at a cash consideration of RMB70.0 million. Distribution and license contracts, deferred income tax liabilities and goodwill of RMB54.0 million, RMB13.5 million and RMB18.2 million were recognized at the date of acquisition respectively.

35 COMMITMENTS

(a) Capital commitments

As at 28 February 2014, the Group had the following capital commitments not provided for:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Purchase of land use rights in the PRC:		
– Contracted but not provided for	**—**	152.4
Construction commitments:		
– Contracted but not provided for	**498.0**	419.7
Acquisition of subsidiaries:		
– Contracted but not provided for	**35.0**	616.0

35 COMMITMENTS (continued)

(b) Operating lease commitments

As at 28 February 2014, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Not later than 1 year	**943.3**	643.7
Later than 1 year and not later than 5 years	**1,134.9**	843.7
Later than 5 years	**210.5**	222.4
	2,288.7	1,709.8

Generally, the Group's operating leases are for terms of 1 to 10 years.

The actual payments in respect of certain operating leases are calculated at a certain percentage of sales of the respective retail outlets or at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the related outlets.

The Company did not have any other significant commitments at 28 February 2014 (31 December 2012: Nil).

36 FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

As at 28 February 2014, the future aggregate minimum rental payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 28 February 2014 *RMB million*	As at 31 December 2012 *RMB million*
Not later than 1 year	**75.1**	63.6
Later than 1 year and not later than 5 years	**59.3**	81.1
	134.4	144.7

37 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in these consolidated financial statements:

Transactions for the period/year

	Fourteen months ended 28 February 2014 ***RMB million***	Year ended 31 December 2012 *RMB million*
Transactions with associates *(note (a))*		
– Sale of goods	**20.7**	3.2
– Processing fee income	**5.1**	75.3
– Processing fee charges	**7.2**	2.9
– Purchases of goods	**168.0**	81.1
Key management compensation		
– Salaries, bonuses and other welfare *(note (b))*	**28.1**	26.7

Period/Year-end balances

	As at 28 February 2014 ***RMB million***	As at 31 December 2012 *RMB million*
Receivables from/(payables to) associates		
– Trade receivable *(note (c))*	**29.0**	0.6
– Other receivable *(note (d))*	**24.6**	32.4
– Trade payable *(note (c))*	**(74.3)**	(11.4)
Other receivable from a joint venture *(note (e))*	**42.0**	—
Loan to a joint venture *(note (f))*	**—**	5.0

37 RELATED PARTY TRANSACTIONS (continued)

Notes:

(a) Processing fee income and purchases of goods from associates, and sales of goods and processing fee charged to associates are on normal commercial terms and conditions.

(b) Key management includes directors and certain executives who have important roles in making operational and financial decisions.

(c) The receivables from/payables to associates arise mainly from transactions as described above which are due for settlement one month after the date of invoice. The balances are unsecured, interest free and denominated in RMB.

(d) The balances represent advances made to associates, which are unsecured, interest free, repayable on demand and denominated in RMB.

(e) The balance represents advance made to the joint venture, which are unsecured, interest free, repayable on demand and denominated in RMB.

(f) Loan to the joint venture is unsecured, non-interest bearing and with no fixed terms of repayment.

(g) During the period, the Group acquired an apparel retail business in the PRC from an associate at a cash consideration of RMB70.0 million, which was determined based on mutually agreed terms and conditions.

38 SUBSEQUENT EVENTS

In September 2013, the Group announced its intention to acquire the entire equity interest in Longhao from certain independent third parties for a consideration of not exceeding RMB700.0 million. Longhao is principally engaged in the sales and distribution of footwear products, leather bags and suitcases in the PRC and owns and operates self-owned brands including SKAP.

The acquisition of Longhao will complement the Group's current portfolio of brands as it enables the Group to own and operate a self-owned brand in the high-end casual footwear sector. In addition, since Longhao is in the same industry sector as the Group, and the business nature of Longhao is in line with that of the Group, the Group also expects to reduce costs through economies of scale.

The acquisition was completed in March 2014 and the total consideration of approximately RMB700.0 million is to be settled in cash. Up to 28 February 2014, prepayments of RMB665.0 million has been made (Note 21).

Due to the timing of the completion of the acquisition, the Group is yet to obtain all necessary information and records of Longhao. Consequently, certain disclosures in relation to the business combination as at the date of completion, such as the fair value of net assets acquired, have not been presented. Acquisition-related transaction costs were insignificant to the Group.

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES

At 28 February 2014, the Company had the following principal subsidiaries:

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Directly held:				
Belle International (China) Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings and trading of shoes and footwear products/ Hong Kong
Best Able Footwear Limited	800,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings/ Hong Kong
Bestfull International Limited	515,001 shares of HK$1 each	100%	Hong Kong	Investment holdings/ Hong Kong
Full Sport Holdings Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings/ Hong Kong
Lai Wah Footwear Trading Limited	20,000 shares of HK$100 each	100%	Hong Kong	Investment holdings and trading of shoes and footwear products/ Hong Kong
Belle Group Limited	10,000 shares of US$1 each	100%	British Virgin Islands ("BVI")	Investment holdings/ Hong Kong
City Talent Group Limited	1 share of US$1	100%	BVI	Investment holdings/ Hong Kong
Famestep Management Limited	10,000 shares of US$1 each	100%	BVI	Investment holdings/ Hong Kong
Fullbest Investments Limited	20,000 shares of US$1 each	100%	BVI	Investment holdings/ Hong Kong
Synergy Eagle Limited	10,000 shares of US$1 each	100%	BVI	Investment holdings/ Hong Kong

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held:				
Belle Footwear (Hong Kong) Company Limited	20,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/ Hong Kong
Belle Worldwide Limited	3 shares of HK$1 each	100%	Hong Kong	Property holdings and provision of administration services/ Hong Kong
Full State Corporation Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings and trading of shoes and footwear products/ Hong Kong
Millie's Company Limited	1,000,000 shares of HK$10 each	100%	Hong Kong	Trading of shoes and footwear products/ Hong Kong
Mirabell Footwear Limited	2 shares of HK$100 each	100%	Hong Kong	Trademark holdings/ Hong Kong
Shoesnet Co Limited	10,000 shares of HK$1 each	100%	Hong Kong	Property holdings/the PRC
Staccato Footwear Co Limited	300,000 shares of HK$1 each	100%	Hong Kong	Trademark holdings/ Hong Kong
Yitian Network Limited	10,000,000 shares of HK$1 each	77.5%	Hong Kong	Investment holdings/ Hong Kong
Mutual Crown	10,000 shares of HK$1 each	100%	Hong Kong	Investment holdings/ Hong Kong
Able Concord Limited	10,000 shares of HK$1 each	100%	Hong Kong	Investment holdings/ Hong Kong
Baroque China Apparels Limited	400,000,000 shares of HK$1 each	51%	Hong Kong	Investment holdings/ Hong Kong

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
Artigiano Footwear Limited	30,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/ Macau
Bestwell (Macao Commercial Offshore) Company Limited	100,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/ Macau
Staccato Footwear (Macau) Company Limited	25,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/ Macau
Big Step	10,000 shares of US$1 each	100%	BVI	Investment holdings/ Hong Kong
Promise Time Limited	10,000 shares of US$1 each	100%	BVI	Investment holdings/ Hong Kong
Best Sail	4,000 shares of HK$1 each	60%	Cayman Islands	Investment holdings/ Hong Kong
Sky Sino	20,000 shares of US$1 each	77.5%	Cayman Islands	Investment holdings/ Hong Kong
Belle (IP) Limited	100 shares of US$1 each	100%	Mauritius	Trademark holdings/ Macau
Staccato (IP) Limited	100 shares of US$1 each	100%	Mauritius	Trademark holdings/ Macau
合眾服飾（深圳）有限公司 (Hezhong Apparel (Shenzhen) Limited) #	US$10,000,000	100%	The PRC	Manufacturing and trading of shoes, footwear products and apparel/the PRC
廣州市滔搏體育發展有限公司 (Guangzhou Taobo Sports Development Company Limited) #	US$25,000,000	100%	The PRC	Operation of sports complex business/ the PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
滔搏投資(上海)有限公司 (Taobo Investments (Shanghai) Company Limited) #	US$30,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
滔搏商貿(沈陽)有限公司 (Taobo Trading (Shenyang) Company Limited) #	US$5,000,000	100%	The PRC	Operation of sports complex business/ the PRC
百朗商貿(深圳)有限公司 (Bailang Trading (Shenzhen) Company Limited) #	US$5,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
北京崇德商貿有限公司 (Beijing Chongde Trading Company Limited) #	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
百麗國際鞋業(青島)有限公司 (Belle International Footwear (Qingdao) Company Limited) @	RMB70,000,000	100%	The PRC	Trading of shoes, footwear products, sporting shoes and apparel/the PRC
百麗鞋業(上海)有限公司 (Belle Footwear (Shanghai) Company Limited) #	US$30,000,000	100%	The PRC	Trading of shoes, footwear products, sporting shoes and apparel/the PRC
百麗鞋業(北京)有限公司 (Belle Footwear (Beijing) Company Limited) #	US$17,000,000	100%	The PRC	Trading of shoes, footwear products, sporting shoes and apparel/the PRC
百麗鞋業(宿州)有限公司 (Belle Footwear (Suzhou) Company Limited) #	US$28,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/ the PRC
銅仁百麗鞋業有限公司 (Tongren Belle Footwear Company Limited) #	RMB30,000,000	100%	The PRC	Manufacturing and trading of shoes, footwear products and apparel/the PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
滔搏體育(上海)有限公司 (Taobo Sports (Shanghai) Company Limited) #	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/ the PRC
麗港鞋業(深圳)有限公司 (Lai Kong Footwear (Shenzhen) Company Limited) #	US$8,771,368	100%	The PRC	Manufacturing and trading of shoes and footwear products/ the PRC
麗珂貿易(沈陽)有限公司 (Li'ke Trading (Shenyang) Company Limited) #	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/ the PRC
新百麗鞋業(深圳)有限公司 (New Belle Footwear (Shenzhen) Company Limited) #	US$130,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/ the PRC
青島傳承國際貿易有限公司 (Qingdao Chuancheng International Trading Company Limited) #	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
陝西滔搏體育商貿有限公司 (Shanxi Taobo Sports Trading Company Limited) @	RMB240,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
深圳市滔搏商貿有限公司 (Shenzhen Taobo Trading Company Limited) @	RMB180,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
成都滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited) @	RMB242,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
武漢滔搏商貿有限公司 (Wuhan Taobo Trading Company Limited) #	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
雲南立鋭體育用品有限公司 (Yunnan Lirui Sports Company Limited) @	RMB220,750,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
江蘇新森達鞋業有限公司 (Jiangsu New Senda Footwear Company Limited) @	RMB200,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/ the PRC
上海新百思圖鞋業有限公司 (Shanghai New Basto Footwear Company Limited) @	RMB50,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/ the PRC
湖北秭歸百麗鞋業有限責任公司 (Hubei Zigui Belle Footwear Company Limited) @	RMB31,000,000	100%	The PRC	Manufacturing of shoes and footwear products/ the PRC
深圳百麗商貿有限公司 (Shenzhen Belle Trading Company Limited) @	RMB20,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
百麗鞋業（沈陽）商貿有限公司 (Belle Footwear (Shenyang) Trading Company Limited) @	RMB200,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
百麗鞋業（武漢）有限公司 (Belle Footwear (Wuhan) Company Limited) #	US$10,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
百麗鞋業（成都）有限公司 (Belle Footwear (Chengdu) Company Limited) #	US$20,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
陝西百麗鞋業有限公司 (Shanxi Belle Footwear Company Limited) @	RMB20,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
新疆百麗鞋業有限公司 (Xinjiang Belle Footwear Company Limited) @	RMB10,000,000	100%	The PRC	Trading of shoes and footwear product/ the PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
雲南百麗鞋業有限公司 (Yunnan Belle Footwear Company Limited) @	RMB20,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
廣州市百麗鞋業有限公司 (Guangzhou Belle Footwear Company Limited) @	RMB20,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
河南頤和國際商貿有限公司 (Henan Yihe International Trading Company Limited) #	US$1,000,000	100%	The PRC	Operation of sports complex business/ the PRC
雲南法迅貿易有限公司 (Yunnan Faxun Trading Company Limited) #	US$2,600,000	100%	The PRC	Operation of sports complex business/ the PRC
廣億貿易(上海)有限公司 (Grand Billion Trading (Shanghai) Company Limited) #	US$9,800,000	60%	The PRC	Trading of shoes and footwear products/ the PRC
廣州億僮貿易有限公司 (Guangzhou Yitong Trading Company Limited) @	RMB10,000,000	60%	The PRC	Trading of shoes and footwear products/ the PRC
優購科技有限公司 (Yougou Technology Company Limited) #	US$55,000,000	77.5%	The PRC	Operation of e-Commerce business/the PRC
巴羅克(上海)服飾有限公司 (Baroque Apparels (Shanghai) Company Limited) #	RMB10,000,000	51%	The PRC	Trading of apparel and accessories products/ the PRC
湖北競速商貿有限公司 (Hubei Jingsu Commercial Company Limited) #	US$1,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
上海飛越體育用品有限公司 (Shanghai Fei Yue Sporting Goods Company Limited) @	RMB10,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
深圳市領跑體育用品有限公司 (Shenzhen Ling Pao Sporting Goods Company Limited) @	RMB50,000,000	100%	The PRC	Trading of shoes and footwear products/ the PRC
領騁貿易(上海)有限公司 (Ling Cheng Trading (Shanghai) Company Limited) #	US$1,000,000	100%	The PRC	Operation of sports complex business/ the PRC
河南智華商貿有限公司 (Henan Chi Hua Commercial Company Limited) @	RMB5,000,000	100%	The PRC	Operation of sports complex business/ the PRC
武漢市再行體育用品有限責任公司 (Wuhan Zai Xing Sporting Goods Company Limited) @	RMB1,200,000	100%	The PRC	Operation of sports complex business/ the PRC
成都市力搏商貿有限公司 (Chengdu Li Bo Commcercial Company Limited) @	RMB5,000,000	100%	The PRC	Operation of sports complex business/ the PRC

The company is established as a wholly foreign-owned enterprise in the PRC.

@ The company is established as a limited liability company in the PRC.

40 PARTICULARS OF ASSOCIATES AND A JOINT VENTURE

At 28 February 2014, the Group had the following associates and a joint venture:

Name	Interest held indirectly	Place of incorporation/ establishment	Principal activities/ place of operation
Associates:			
Baroque	31.96%	Japan	Trading and retailing of apparel and accessories products/ Japan
Baroque China Limited	49%	Hong Kong	Investment holdings and wholesale of apparel and accessories/ Hong Kong
巴羅克（上海）企業發展有限公司 (Baroque Industry Development (Shanghai) Company Limited)#	49%	The PRC	Wholesale of apparel and accessories/ the PRC
鶴山市新易高鞋業有限公司 (Heshan New Eagle Footwear Company Limited) @	36%	The PRC	Manufacturing of shoes and footwear products/the PRC
A joint venture:			
宿州百聯尚多皮革有限公司 (Suzhou Bailian Shangduo Leather Company Limited) @	45%	The PRC	Manufacturing and processing of leather/ the PRC

\# The company is established as a wholly foreign-owned enterprise in the PRC.

@ The company is established as a limited liability company in the PRC.

Belle 百麗國際
International