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## **BELLE INTERNATIONAL HOLDINGS LIMITED**

### **百麗國際控股有限公司**

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

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014**

### **FINANCIAL HIGHLIGHTS**

		<b>Six months ended 31 August</b>	
		<b>2014</b>	<b>2013</b>
Revenue	RMB million	<b>18,556.1</b>	16,738.6
Operating profit	RMB million	<b>2,729.2</b>	2,422.6
Income tax expense	RMB million	<b>883.9</b>	696.7
Profit attributable to the Company's equity holders	RMB million	<b>2,077.9</b>	1,931.2
Gross profit margin	%	<b>56.3</b>	55.7
Operating profit margin	%	<b>14.7</b>	14.5
Profit margin attributable to the Company's equity holders	%	<b>11.2</b>	11.5
Earnings per share			
— basic	RMB cents	<b>24.90</b>	22.90
— diluted	RMB cents	<b>24.56</b>	22.90
		<b>Six months ended 31 August 2014</b>	<b>Six months ended 30 June 2013</b>
Interim dividend per share	RMB cents	<b>15.00</b>	8.00
Special dividend per share	RMB cents	<b>25.00</b>	—

## INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Belle International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 August 2014 (“the review period”, or “the first half of Financial Year 2014/15” hereinafter), together with comparative figures for the six months ended 31 August 2013, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 AUGUST 2014

		Unaudited	
		Six months ended 31 August	
	<i>Note</i>	<b>2014</b>	2013
		<i>RMB million</i>	<i>RMB million</i>
<b>Revenue</b>	3	<b>18,556.1</b>	16,738.6
Costs of sales		<b>(8,113.0)</b>	(7,409.5)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>10,443.1</b>	9,329.1
Selling and distribution expenses		<b>(6,360.0)</b>	(5,756.4)
General and administrative expenses		<b>(1,549.0)</b>	(1,352.1)
Other income	4	<b>205.1</b>	208.2
Other expenses		<b>(10.0)</b>	(6.2)
		<hr/>	<hr/>
<b>Operating profit</b>	5	<b>2,729.2</b>	2,422.6
		<hr/>	<hr/>
Finance income		<b>251.3</b>	203.0
Finance costs		<b>(26.6)</b>	(18.9)
		<hr/>	<hr/>
Finance income, net	6	<b>224.7</b>	184.1
Share of results of associates and a joint venture		<b>2.9</b>	2.8
		<hr/>	<hr/>
		<b>227.6</b>	186.9
		<hr/>	<hr/>
<b>Profit before income tax</b>		<b>2,956.8</b>	2,609.5
Income tax expense	7	<b>(883.9)</b>	(696.7)
		<hr/>	<hr/>
<b>Profit for the period</b>		<b>2,072.9</b>	1,912.8
		<hr/>	<hr/>
<b>Attributable to:</b>			
Equity holders of the Company		<b>2,077.9</b>	1,931.2
Non-controlling interests		<b>(5.0)</b>	(18.4)
		<hr/>	<hr/>
		<b>2,072.9</b>	1,912.8
		<hr/>	<hr/>
<b>Earnings per share attributable to equity holders of the Company during the period</b>	8	<b>RMB cents</b>	<i>RMB cents</i>
— basic		<b>24.90</b>	22.90
		<hr/>	<hr/>
— diluted		<b>24.56</b>	22.90
		<hr/>	<hr/>

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

	Unaudited	
	Six months ended 31 August 2014 RMB million	2013 RMB million
<b>Profit for the period</b>	<b>2,072.9</b>	1,912.8
	-----	-----
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be subsequently reclassified to income statement:</i>		
Exchange differences	3.7	(4.8)
	-----	-----
<b>Other comprehensive income/(loss) for the period</b>	<b>3.7</b>	(4.8)
	-----	-----
<b>Total comprehensive income for the period</b>	<b>2,076.6</b>	1,908.0
	=====	=====
<b>Attributable to:</b>		
Equity holders of the Company	2,081.6	1,926.4
Non-controlling interests	(5.0)	(18.4)
	-----	-----
	<b>2,076.6</b>	1,908.0
	=====	=====

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 AUGUST 2014**

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>31 August</b>	28 February
		<b>2014</b>	2014
	<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>3,811.2</b>	3,691.1
Land use rights		<b>1,558.2</b>	1,557.0
Investment properties		<b>320.5</b>	324.5
Intangible assets		<b>3,882.1</b>	3,469.3
Interests in associates and a joint venture		<b>693.6</b>	688.7
Long-term deposits, prepayments and other non-current assets		<b>316.8</b>	1,008.3
Deferred income tax assets		<b>422.0</b>	449.1
Structured bank deposits		<b>1,604.3</b>	509.5
		<b>12,608.7</b>	11,697.5
<b>Current assets</b>			
Inventories		<b>6,945.5</b>	6,570.6
Trade receivables	10	<b>3,420.2</b>	3,284.8
Deposits, prepayments and other receivables		<b>1,288.8</b>	1,117.5
Structured bank deposits		<b>6,317.6</b>	6,816.4
Term deposits with initial terms of over three months		<b>324.2</b>	82.1
Bank balances and cash		<b>1,507.1</b>	2,825.0
		<b>19,803.4</b>	20,696.4
<b>Total assets</b>		<b>32,412.1</b>	32,393.9

	<i>Note</i>	<b>Unaudited As at 31 August 2014 RMB million</b>	<b>Audited As at 28 February 2014 RMB million</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		<b>83.1</b>	83.1
Share premium		<b>9,214.1</b>	9,214.1
Reserves		<b>16,455.0</b>	16,892.0
		<b>25,752.2</b>	26,189.2
<b>Non-controlling interests</b>		<b>190.2</b>	146.1
<b>Total equity</b>		<b>25,942.4</b>	26,335.3
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>217.8</b>	159.6
Deferred income		<b>59.3</b>	62.5
		<b>277.1</b>	222.1
<b>Current liabilities</b>			
Trade payables	11	<b>1,047.7</b>	761.2
Other payables, accruals and other current liabilities		<b>1,738.4</b>	1,518.7
Short-term borrowings	12	<b>2,182.7</b>	2,360.1
Current income tax liabilities		<b>1,223.8</b>	1,196.5
		<b>6,192.6</b>	5,836.5
<b>Total liabilities</b>		<b>6,469.7</b>	6,058.6
<b>Total equity and liabilities</b>		<b>32,412.1</b>	32,393.9
<b>Net current assets</b>		<b>13,610.8</b>	14,859.9
<b>Total assets less current liabilities</b>		<b>26,219.5</b>	26,557.4

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 31 AUGUST 2014**

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	<b>3,281.8</b>	2,804.7
Income tax paid	<b>(771.3)</b>	(586.2)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>2,510.5</b>	2,218.5
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Capital contribution to a joint venture	—	(13.0)
Acquisition of an associate	—	(582.9)
Cash acquired in acquisition of subsidiaries	<b>37.6</b>	60.2
Payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets	<b>(573.8)</b>	(615.8)
Proceeds from disposal of property, plant and equipment	<b>5.3</b>	5.7
Placement of structured bank deposits	<b>(13,799.3)</b>	(6,599.5)
Proceeds from maturity of structured bank deposits	<b>12,504.7</b>	5,827.0
(Increase)/decrease in term deposits with initial terms of over three months	<b>(242.5)</b>	135.2
Interest received	<b>180.4</b>	138.4
	<hr/>	<hr/>
Net cash used in investing activities	<b>(1,887.6)</b>	(1,644.7)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividends paid	<b>(1,012.1)</b>	(674.7)
Interest paid	<b>(17.8)</b>	(18.9)
Capital contribution from non-controlling interests	<b>49.1</b>	—
Proceeds from borrowings	<b>2,707.2</b>	1,075.3
Repayments of borrowings	<b>(2,892.2)</b>	(1,260.4)
Payments for purchase of shares for share award scheme	<b>(1,545.0)</b>	—
	<hr/>	<hr/>
Net cash used in financing activities	<b>(2,710.8)</b>	(878.7)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,087.9)</b>	(304.9)
Cash and cash equivalents at beginning of the period	<b>3,705.0</b>	1,950.4
Effect on foreign exchange	<b>0.1</b>	(6.1)
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>1,617.2</b>	1,639.4
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# NOTES

## 1 General information

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

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

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial information is presented in Renminbi (“RMB”), unless otherwise stated.

The condensed consolidated interim financial information for the six months ended 31 August 2014 is unaudited and has been reviewed by the audit committee and the external auditor of the Company. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 27 October 2014.

Key events:

In March 2014, the Group completed the acquisition of the entire equity interests in 龍浩天地股份有限公司 at a consideration of not exceeding RMB700.0 million.

On 26 May 2014, the Group adopted a share award scheme (the “Share Award Scheme”) and details are given in Note 13.

## 2 Basis of preparation and accounting policies

The condensed consolidated interim financial information for the six months ended 31 August 2014 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the fourteen months ended 28 February 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the fourteen months ended 28 February 2014.

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the fourteen months ended 28 February 2014, except as mentioned below.

**(a) Effect of adopting amendments and interpretation to standards**

The following amendments and interpretation to standards are mandatory for accounting periods beginning on or after 1 March 2014. The adoption of these amendments and interpretation to standards does not have any significant impact to the results and financial position of the Group.

IFRS 10, IFRS 12 and IAS 27 (2011) (amendment)	Investment entities
IAS 32 (amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities
IAS 36 (amendment)	Recoverable amount disclosures for non-financial assets
IAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting
IFRIC Interpretation 21	Levies

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

The following new standards and amendments 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 and 2011-2013 cycle <sup>(1)</sup>
IFRSs (amendment)	Annual improvements to IFRSs 2012-2014 cycle <sup>(2)</sup>
IFRS 9 (2014)	Financial instruments <sup>(4)</sup>
IFRS 10 and IAS 28 (amendment)	Sale or contribution of assets between an investor and its associates or joint venture <sup>(2)</sup>
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations <sup>(2)</sup>
IFRS 14	Regulatory deferral accounts <sup>(2)</sup>
IFRS 15	Revenue from contracts with customers <sup>(3)</sup>
IAS 16 and IAS 38 (amendment)	Acceptable methods of depreciation and amortization <sup>(2)</sup>
IAS 16 and IAS 41 (amendment)	Agriculture: bearer plants <sup>(2)</sup>
IAS 19 (amendment)	Defined benefit plans: employee contributions <sup>(1)</sup>
IAS 27 (amendment)	Equity method in separate financial statements <sup>(2)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 March 2015.

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 March 2016.

<sup>(3)</sup> Effective for the Group for annual period beginning on 1 March 2017.

<sup>(4)</sup> Effective for the Group for annual period beginning on 1 March 2018.

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

**(c) Tax**

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.



**(d) Shares held for share award scheme**

The consideration paid by the Company through a share award scheme trustee, a structured entity (“Share Scheme Trustee”) established by the Company for the purpose of administering and holding the Company’s shares acquired for the Share Award Scheme, which are set up for the benefits of eligible persons of the Share Award Scheme, for purchasing the Company’s shares from the market, including any directly attributable incremental cost, is presented as “Shares held for share award scheme” and deducted from total equity.

When the Share Scheme Trustee transfers the Company’s shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to “Shares held for share award scheme”, with a corresponding adjustment to “Share premium”.

**(e) Share-based compensation benefits**

The Group operates a number of share-based compensation plans (including share option scheme and Share Award Scheme), under which the Group receives services from employees as consideration for equity instruments (including share options and award shares) of the Group. The fair value of the employee services received in exchange for the grant of equity instruments of the Group is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to share-based compensation reserve under equity.

No share options have been granted under the share option scheme by the Group since its adoption and up to 31 August 2014.

For grant of award shares, the total amount to be expensed is determined by reference to the fair value of the award shares granted at the grant date.

At each reporting period end, the Group revises its estimates of the number of awarded shares that are expected to vest and recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, with a corresponding adjustment made to equity.

### 3 Segment information

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

	Six months ended 31 August 2014				
	Shoes and footwear products <i>RMB million</i>	Sportswear and apparel products <i>RMB million</i>	Total reportable segments <i>RMB million</i>	Unallocated <i>RMB million</i>	Total <i>RMB million</i>
<b>Revenue</b>					
Sales of goods	10,355.0	8,100.2	18,455.2	—	18,455.2
Commissions from concessionaire sales	—	100.9	100.9	—	100.9
	<u>10,355.0</u>	<u>8,201.1</u>	<u>18,556.1</u>	<u>—</u>	<u>18,556.1</u>
<b>Results of reportable segments</b>	<u>2,170.8</u>	<u>609.4</u>	<u>2,780.2</u>	<u>—</u>	<u>2,780.2</u>

#### Reconciliation of results of reportable segments to profit for the period

<b>Results of reportable segments</b>	2,780.2
Amortization of intangible assets	(43.0)
Unallocated income	20.8
Unallocated expenses	(28.8)
<b>Operating profit</b>	<u>2,729.2</u>
Finance income	251.3
Finance costs	(26.6)
Share of results of associates and a joint venture	2.9
<b>Profit before income tax</b>	<u>2,956.8</u>
Income tax expense	(883.9)
<b>Profit for the period</b>	<u><u>2,072.9</u></u>

#### Other segment information

Depreciation on property, plant and equipment	301.6	156.6	458.2	14.7	472.9
Amortization of land use rights	3.2	2.8	6.0	7.9	13.9
Amortization of intangible assets	24.1	18.9	43.0	—	43.0
Depreciation on investment properties	—	—	—	4.1	4.1
Write-off of property, plant and equipment	2.5	0.4	2.9	—	2.9
Loss on disposal of property, plant and equipment	1.0	0.3	1.3	—	1.3
Employee share-based compensation expense	21.0	17.5	38.5	—	38.5
Additions to non-current assets (excluding acquisitions of subsidiaries)	438.0	99.6	537.6	36.2	573.8

	Six months ended 31 August 2013				
	Shoes and footwear products <i>RMB million</i>	Sportswear and apparel products <i>RMB million</i>	Total reportable segments <i>RMB million</i>	Unallocated <i>RMB million</i>	Total <i>RMB million</i>
<b>Revenue</b>					
Sales of goods	9,715.1	6,949.5	16,664.6	—	16,664.6
Commissions from concessionaire sales	—	74.0	74.0	—	74.0
	<u>9,715.1</u>	<u>7,023.5</u>	<u>16,738.6</u>	<u>—</u>	<u>16,738.6</u>
<b>Results of reportable segments</b>	<u>2,075.6</u>	<u>422.8</u>	<u>2,498.4</u>	<u>—</u>	<u>2,498.4</u>

#### Reconciliation of results of reportable segments to profit for the period

<b>Results of reportable segments</b>					2,498.4
Amortization of intangible assets					(64.1)
Unallocated income					17.1
Unallocated expenses					(28.8)
<b>Operating profit</b>					<u>2,422.6</u>
Finance income					203.0
Finance costs					(18.9)
Share of results of associates and a joint venture					2.8
<b>Profit before income tax</b>					<u>2,609.5</u>
Income tax expense					(696.7)
<b>Profit for the period</b>					<u>1,912.8</u>
<b>Other segment information</b>					
Depreciation on property, plant and equipment	291.2	186.7	477.9	16.4	494.3
Amortization of land use rights	3.7	2.8	6.5	7.6	14.1
Amortization of intangible assets	49.2	14.9	64.1	—	64.1
Depreciation on investment properties	—	—	—	4.1	4.1
Write-off of property, plant and equipment	3.2	12.8	16.0	—	16.0
Loss on disposal of property, plant and equipment	0.2	—	0.2	—	0.2
Additions to non-current assets (excluding acquisitions of subsidiaries and associates)	473.8	114.5	588.3	27.5	615.8

	As at 31 August 2014				
	Shoes and footwear products <i>RMB million</i>	Sportswear and apparel products <i>RMB million</i>	Total reportable segments <i>RMB million</i>	Unallocated <i>RMB million</i>	Total <i>RMB million</i>
Segment assets	13,309.7	5,706.3	19,016.0	—	19,016.0
Goodwill	1,943.2	1,020.6	2,963.8	—	2,963.8
Other intangible assets	667.5	250.8	918.3	—	918.3
Inter-segment balances elimination	(1,948.8)	—	(1,948.8)	—	(1,948.8)
	<u>13,971.6</u>	<u>6,977.7</u>	<u>20,949.3</u>	<u>—</u>	<u>20,949.3</u>
Investment properties	—	—	—	320.5	320.5
Term deposits with initial terms of over three months	—	—	—	324.2	324.2
Structured bank deposits	—	—	—	7,921.9	7,921.9
Deferred income tax assets	—	—	—	422.0	422.0
Interests in associates and a joint venture	—	—	—	693.6	693.6
Other corporate assets	—	—	—	1,780.6	1,780.6
	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,462.8</u>	<u>11,462.8</u>
<b>Total assets per condensed consolidated balance sheet</b>	<b><u>13,971.6</u></b>	<b><u>6,977.7</u></b>	<b><u>20,949.3</u></b>	<b><u>11,462.8</u></b>	<b><u>32,412.1</u></b>
Segment liabilities	1,989.0	2,763.8	4,752.8	—	4,752.8
Inter-segment balances elimination	—	(1,948.8)	(1,948.8)	—	(1,948.8)
	<u>1,989.0</u>	<u>815.0</u>	<u>2,804.0</u>	<u>—</u>	<u>2,804.0</u>
Short-term borrowings	—	—	—	2,182.7	2,182.7
Current income tax liabilities	—	—	—	1,223.8	1,223.8
Deferred income tax liabilities	—	—	—	217.8	217.8
Other corporate liabilities	—	—	—	41.4	41.4
	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,665.7</u>	<u>3,665.7</u>
<b>Total liabilities per condensed consolidated balance sheet</b>	<b><u>1,989.0</u></b>	<b><u>815.0</u></b>	<b><u>2,804.0</u></b>	<b><u>3,665.7</u></b>	<b><u>6,469.7</u></b>

	As at 28 February 2014				
	Shoes and footwear products <i>RMB million</i>	Sportswear and apparel products <i>RMB million</i>	Total reportable segments <i>RMB million</i>	Unallocated <i>RMB million</i>	Total <i>RMB million</i>
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)
	<u>14,184.9</u>	<u>7,197.3</u>	<u>21,382.2</u>	<u>—</u>	<u>21,382.2</u>
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
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total assets per condensed consolidated balance sheet</b>	<u><u>14,184.9</u></u>	<u><u>7,197.3</u></u>	<u><u>21,382.2</u></u>	<u><u>11,011.7</u></u>	<u><u>32,393.9</u></u>
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)
	<u>1,644.5</u>	<u>674.5</u>	<u>2,319.0</u>	<u>—</u>	<u>2,319.0</u>
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
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total liabilities per condensed consolidated balance sheet</b>	<u><u>1,644.5</u></u>	<u><u>674.5</u></u>	<u><u>2,319.0</u></u>	<u><u>3,739.6</u></u>	<u><u>6,058.6</u></u>

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:

	Six months ended 31 August	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
<b>Revenue</b>		
The PRC	<b>17,882.2</b>	16,049.0
Hong Kong and Macau	<b>507.3</b>	509.3
Other locations	<b>166.6</b>	180.3
	<u><u>18,556.1</u></u>	<u><u>16,738.6</u></u>

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:

	<b>The PRC</b> <i>RMB million</i>	<b>Hong Kong and Macau</b> <i>RMB million</i>	<b>Other locations</b> <i>RMB million</i>	<b>Total</b> <i>RMB million</i>
<b>As at 31 August 2014</b>				
<b>Non-current assets</b>				
Property, plant and equipment	<b>3,498.6</b>	<b>312.6</b>	—	<b>3,811.2</b>
Land use rights	<b>1,558.2</b>	—	—	<b>1,558.2</b>
Investment properties	<b>274.4</b>	<b>46.1</b>	—	<b>320.5</b>
Intangible assets	<b>3,810.3</b>	<b>71.8</b>	—	<b>3,882.1</b>
Interests in associates and a joint venture	<b>106.6</b>	—	<b>587.0</b>	<b>693.6</b>
Long-term deposits, prepayments and other non-current assets	<b>236.3</b>	<b>44.8</b>	<b>35.7</b>	<b>316.8</b>
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>As at 28 February 2014</b>				
<b>Non-current assets</b>				
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
Interests in associates and a joint venture	103.7	—	585.0	688.7
Long-term deposits, prepayments and other non-current assets	916.1	56.5	35.7	1,008.3
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

#### **4 Other income**

	<b>Six months ended 31 August</b>	
	<b>2014</b>	2013
	<i>RMB million</i>	<i>RMB million</i>
Rental income	<b>20.8</b>	17.1
Government incentives ( <i>note</i> )	<b>184.3</b>	191.1
	<u><u>          </u></u>	<u><u>          </u></u>
	<b>205.1</b>	208.2
	<u><u>          </u></u>	<u><u>          </u></u>

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

## 5 Operating profit

Operating profit is stated after charging the following:

	<b>Six months ended 31 August</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Costs of inventories recognized as expenses included in costs of sales	<b>8,112.0</b>	7,408.6
Depreciation on property, plant and equipment	<b>472.9</b>	494.3
Depreciation on investment properties	<b>4.1</b>	4.1
Amortization of intangible assets	<b>43.0</b>	64.1
Amortization of land use rights	<b>13.9</b>	14.1
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	<b>3,746.0</b>	3,387.7
Staff costs (including directors' emoluments)	<b>3,046.1</b>	2,745.7
Loss on disposal of property, plant and equipment	<b>1.3</b>	0.2
Write-off of property, plant and equipment	<b>2.9</b>	16.0
	<b>=====</b>	<b>=====</b>

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

## 6 Finance income, net

	<b>Six months ended 31 August</b>	
	<b>2014</b>	<b>2013</b>
	<i>RMB million</i>	<i>RMB million</i>
Interest income from bank deposits	<b>15.7</b>	29.7
Interest income from structured bank deposits	<b>235.6</b>	157.5
Net foreign exchange gains	<b>—</b>	15.8
	<b>=====</b>	<b>=====</b>
	<b>251.3</b>	203.0
	<b>-----</b>	<b>-----</b>
Interest expense on short-term bank borrowings, wholly repayable within 5 years	<b>(17.8)</b>	(18.9)
Net foreign exchange losses	<b>(8.8)</b>	—
	<b>=====</b>	<b>=====</b>
	<b>(26.6)</b>	(18.9)
	<b>-----</b>	<b>-----</b>
Finance income, net	<b>=====</b>	<b>=====</b>
	<b>224.7</b>	184.1
	<b>=====</b>	<b>=====</b>

## 7 Income tax expense

	Six months ended 31 August	
	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Current income tax		
– PRC corporate income tax	845.1	719.6
– Hong Kong profits tax	5.1	6.8
– Macau income tax	3.1	4.2
(Over)/under-provision in prior years		
– PRC corporate income tax	(1.0)	(2.2)
– Hong Kong profits tax	0.3	–
Deferred income tax	31.3	(31.7)
	<u>883.9</u>	<u>696.7</u>

## 8 Earnings per share

### Basic

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

		Six months ended 31 August	
		2014	2013
Profit for the period attributable to equity holders of the Company	<i>RMB million</i>	<u>2,077.9</u>	<u>1,931.2</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<i>thousand of share</i>	<u>8,346,355</u>	<u>8,434,233</u>
Basic earnings per share	<i>RMB cents</i>	<u>24.90</u>	<u>22.90</u>



## Diluted

The awarded shares granted by the Company (Note 13) have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding assuming the conversion of all potential dilutive ordinary shares arising from awarded shares granted by the Company. No adjustment is made to earnings for the period.

		Six months ended 31 August	
		2014	2013
Profit for the period attributable to equity holders of the Company	<i>RMB million</i>	<b>2,077.9</b>	1,931.2
Weighted average number of ordinary shares for the purpose of basic earnings per share	<i>thousand of share</i>	<b>8,346,355</b>	8,434,233
Adjustment for awarded shares granted	<i>thousand of share</i>	<b>115,500</b>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<i>thousand of share</i>	<b>8,461,855</b>	8,434,233
Diluted earnings per share	<i>RMB cents</i>	<b>24.56</b>	22.90

## 9 Dividends

- (a) At a meeting held on 27 October 2014, the directors declared an interim dividend of RMB15.0 cents per ordinary share (totaling RMB1,265.1 million) and a special dividend of RMB25.0 cents per ordinary share (totaling RMB2,108.6 million) for the year ending 28 February 2015. These dividends are not reflected as dividends payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 28 February 2015.
- (b) 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, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 31 August 2014.
- (c) 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 and has been reflected as an appropriation of retained earnings during the fourteen months ended 28 February 2014.

## 10 Trade receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 31 August 2014, the aging analysis of trade receivables, based on invoice date, is as follows:

	<b>As at 31 August 2014 RMB million</b>	<b>As at 28 February 2014 RMB million</b>
0 to 30 days	<b>3,292.2</b>	3,194.3
31 to 60 days	<b>66.6</b>	63.8
61 to 90 days	<b>16.2</b>	7.8
Over 90 days	<b>45.2</b>	18.9
	<b>3,420.2</b>	3,284.8

The carrying amounts of trade receivables approximate their fair values.

## 11 Trade payables

The normal credit period for trade payables generally ranges from 0 to 60 days. As at 31 August 2014, the aging analysis of trade payables is as follows:

	<b>As at 31 August 2014 RMB million</b>	<b>As at 28 February 2014 RMB million</b>
0 to 30 days	<b>802.0</b>	542.0
31 to 60 days	<b>216.8</b>	156.2
Over 60 days	<b>28.9</b>	63.0
	<b>1,047.7</b>	761.2

The carrying amounts of trade payables approximate their fair values.

## 12 Short-term borrowings

As at 31 August 2014, the Group's bank borrowings are unsecured and carrying interest at floating rates. The weighted average effective interest rate is 1.42% (28 February 2014: 1.45%) per annum. The carrying amounts of the Group's bank borrowings are denominated in Hong Kong dollars and approximate their fair values. All these bank borrowings are wholly repayable within 5 years.

## 13 Share Award Scheme

The Board has approved the adoption of the Share Award Scheme on 26 May 2014. The purpose of the Share Award Scheme is to recognize and motivate the contribution of certain members of management of the Group and to provide incentives and help the Group in retaining its existing members of management and to provide them with a direct economic interest in attaining the long-term business objectives of the Group. The vesting period of the awarded shares is determined by the Board.

On 9 June 2014, the Group has granted 253,000,000 award shares to certain members of management of the Group, which are exercisable after ten years from the grant date.

The fair value of the awarded shares was determined with reference to the market price of the Company's shares at the grant date.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

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

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

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

The following table sets out the distribution of company-managed retail outlets of the Group by region and by business segment in Mainland China as at 31 August 2014.

Region	Number of Company-managed Retail Outlets								
	Footwear			Sportswear and Apparel				Sub-total	Total
	Company-owned brands	Distribution brands	Sub-total	First-tier brands	Second-tier brands	Apparel			
Eastern China	1,996	283	2,279	696	181	16	893	3,172	
Northern China	1,873	221	2,094	777	139	12	928	3,022	
Southern China	2,021	137	2,158	683	155	5	843	3,001	
Shandong and Henan	1,177	46	1,223	999	321	–	1,320	2,543	
North-eastern China	1,189	100	1,289	630	67	1	698	1,987	
North-western China	1,125	122	1,247	306	58	–	364	1,611	
South-western China	1,046	95	1,141	362	11	4	377	1,518	
Central China	878	101	979	312	36	1	349	1,328	
Yunnan and Guizhou	631	19	650	219	64	–	283	933	
Guangzhou	415	16	431	–	–	–	–	431	
<b>Total</b>	<b>12,351</b>	<b>1,140</b>	<b>13,491</b>	<b>4,984</b>	<b>1,032</b>	<b>39</b>	<b>6,055</b>	<b>19,546</b>	

*Note:* In addition, the Group operates 154 company-managed retail outlets in Hong Kong and Macau.

## Financial Review

The Group continued to benefit from steady growth. During the six months ended 31 August 2014, the Group recorded revenue and operating profit of RMB18,556.1 million and RMB2,729.2 million respectively, achieving growth rate of 10.9% and 12.7% respectively. The profit attributable to the Company's equity holders during the period under review amounted to RMB2,077.9 million, representing an increase of 7.6% when compared with the same period of last year.

### Revenue

The Group's revenue increased by 10.9%, from RMB16,738.6 million for the six months ended 31 August 2013 to RMB18,556.1 million for the six months ended 31 August 2014. Revenue of the footwear business increased by 6.6%, from RMB9,715.1 million for the six months ended 31 August 2013 to RMB10,355.0 million for the six months ended 31 August 2014. It is attributable to the continually steady growth of sales generated from the footwear business as compared with the same period of last year. The sportswear and apparel business increased by 16.8%, from RMB7,023.5 million for the six months ended 31 August 2013 to RMB8,201.1 million for the six months ended 31 August 2014. The relatively fast growth of the sportswear and apparel business was mainly due to stronger same store sales growth which was mostly driven by volume growth.

	Six months ended 31 August		2013		Growth rate
	2014		Revenue	% of total	
	Revenue	% of total	Revenue	% of total	
<b>Footwear</b>					
Company-owned brands	<b>9,340.6</b>	<b>50.4%</b>	8,806.4	52.6%	6.1%
Distribution brands	<b>847.8</b>	<b>4.6%</b>	728.4	4.4%	16.4%
International trade	<b>166.6</b>	<b>0.9%</b>	180.3	1.1%	(7.6%)
Sub-total	<b>10,355.0</b>	<b>55.9%</b>	9,715.1	58.1%	6.6%
<b>Sportswear and apparel</b>					
First-tier sportswear brands*	<b>7,226.4</b>	<b>38.9%</b>	6,245.1	37.3%	15.7%
Second-tier sportswear brands*	<b>787.3</b>	<b>4.2%</b>	704.4	4.2%	11.8%
Other sportswear and apparel business	<b>187.4</b>	<b>1.0%</b>	74.0	0.4%	153.2%
Sub-total	<b>8,201.1</b>	<b>44.1%</b>	7,023.5	41.9%	16.8%
Total	<b>18,556.1</b>	<b>100.0%</b>	16,738.6	100.0%	10.9%

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 business, operating profit increased by 12.7% to RMB2,729.2 million for the six months ended 31 August 2014. The profit attributable to the Company's equity holders increased by 7.6% to RMB2,077.9 million for the six months ended 31 August 2014.

	Six months ended 31 August				Growth rate	
	2014		2013		Footwear	Sportswear and apparel
	Footwear	Sportswear and apparel	Footwear	Sportswear and apparel		
Revenue	<b>10,355.0</b>	<b>8,201.1</b>	9,715.1	7,023.5	6.6%	16.8%
Costs of sales	<b>(3,346.5)</b>	<b>(4,766.5)</b>	(3,185.9)	(4,223.6)	5.0%	12.9%
Gross profit	<b>7,008.5</b>	<b>3,434.6</b>	6,529.2	2,799.9	7.3%	22.7%
Gross profit margin	<b>67.7%</b>	<b>41.9%</b>	67.2%	39.9%		

Unit: RMB million

Costs of sales increased by 9.5% from RMB7,409.5 million for the six months ended 31 August 2013 to RMB8,113.0 million for the six months ended 31 August 2014. Gross profit in the Group's footwear segment increased by 7.3% to RMB7,008.5 million for the six months ended 31 August 2014 from RMB6,529.2 million for the six months ended 31 August 2013. Gross profit in the sportswear and apparel segment increased by 22.7% to RMB3,434.6 million for the six months ended 31 August 2014 from RMB2,799.9 million for the six months ended 31 August 2013.

Owing to differences in the respective business models, sportswear and apparel products generally have lower gross profit margin than footwear products. During the period under review, the gross profit margins of the footwear business and the sportswear and apparel business were 67.7% and 41.9% respectively. The gross profit margin of the footwear business was slightly higher than that of the six months ended 31 August 2013, due to two major reasons. First, the promotional environment was largely stable. Generally speaking, in an environment of weak consumer sentiment and slow traffic, excessive promotions sacrificing gross margins usually cannot bring in enough sales increase as expected. Second, there was a temporary shortage of workers last year just after the spring festival resulting in underutilization of the Group's manufacturing facilities in southern China and a short-term spike in cost of manufacturing. This year during the same period utilization and cost of manufacturing was within the normal range. Based on the existing business mix, the Group is well positioned to maintain a fairly consistent gross profit margin in the footwear business. The gross profit margin of the sportswear and apparel business was higher than the same period of last year by 2.0 percentage points because of two major reasons. First, less discounting contributed to a normalization of overall retail markdown. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost. 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 to 56.3% for the six months ended 31 August 2014 from 55.7% for the six months ended 31 August 2013.

Selling and distribution expenses for the six months ended 31 August 2014 amounted to RMB6,360.0 million (six months ended 31 August 2013: RMB5,756.4 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retail outlet decorations, and advertising and promotional expenses. In terms of percentage, the ratio of selling and distribution expenses to revenue was 34.3% (six months ended 31 August 2013: 34.4%). Selling and distribution expenses of the footwear business, as a percentage of sales, were fairly stable when compared with the same period of last year. Wage expenses were higher, as a percentage of sales, while rental expenses, concessionaire fees, and other expenses were slightly lower. For the six months ended 31 August 2014, the footwear business experienced a same store sales decline as well as continued increases in salaries and wages. That, however, did not result in a large increase in selling and distribution expenses as a percentage of sales. On the one hand this was due to the efficient retail management culture of the Group. On the other hand this also reflected a flexible cost structure of the Group, with relatively large variable costs and variable expenses, and thus less significant operating leverage. For sportswear and apparel business, the selling and distribution expenses were fairly stable when compared with the same period of last year, as a percentage of sales.

General and administrative expenses for the six months ended 31 August 2014 amounted to RMB1,549.0 million (six months ended 31 August 2013: RMB1,352.1 million), primarily consisting of management and administrative personnel salaries, depreciation charges on office premises and office equipment, and business surtaxes. In terms of percentage, the ratio of general and administrative expenses to revenue was 8.3% (six months ended 31 August 2013: 8.1%). The general and administrative expenses for the Group, as a percentage of sales, were slightly up from the same period of last year.

During the six months ended 31 August 2014, Renminbi depreciated against Hong Kong dollars, together with the fact that the Group's bank borrowings are denominated in Hong Kong dollar, the Group recorded net foreign exchange losses of RMB8.8 million (six months ended 31 August 2013: net foreign exchange gains of RMB15.8 million) as a result.

Interest income increased from RMB187.2 million for the six months ended 31 August 2013 to RMB251.3 million for the six months ended 31 August 2014. It is mainly due to the increase in the Group's average balance of structured bank deposits (with higher interest rate earned) and corresponding deposit rates during the period under review.

Interest expense decreased from RMB18.9 million for the six months ended 31 August 2013 to RMB17.8 million for the six months ended 31 August 2014. Despite the average balance of bank borrowings was higher for the six months ended 31 August 2014, the average bank borrowing interest rates was lower than that of the six months ended 31 August 2013, which resulted in a slight decrease in interest expense for the six months ended 31 August 2014.

Income tax expense for the six months ended 31 August 2014 amounted to RMB883.9 million (six months ended 31 August 2013: RMB696.7 million). The effective income tax rate increased by 3.2 percentage points to 29.9% for the six months ended 31 August 2014 from 26.7% for the six months ended 31 August, 2013, due to two major reasons. First, the Company's subsidiaries in Mainland China declared or distributed more dividends to foreign holding companies during the period, thus the relevant withholding taxes increased. Second, lower-taxed Hong Kong business recorded flat revenues during the period. Profit before income tax, however, declined due to higher expenses. As a result the relative contribution to overall income tax was smaller from the Hong Kong region. The income tax rate for 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 RMB205.1 million for the six months ended 31 August 2014 (six months ended 31 August 2013: RMB208.2 million) consists mainly of government incentives and rental income.

## **Capital Expenditure**

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, land use rights and intangible assets. During the six months ended 31 August 2014, the total capital expenditure was RMB573.8 million (six months ended 31 August 2013: RMB615.8 million).

## **Liquidity and Financial Resources**

The Group maintains a strong and healthy balance sheet. As at 31 August 2014, the net working capital of the Group was RMB13,610.8 million, representing a decrease of 8.4% or RMB1,249.1 million as compared with 28 February 2014. As at 31 August 2014, the Group's gearing ratio was 6.7% (28 February 2014: 7.3%) (Gearing ratio is calculated by using the following formula: Total Borrowings/Total Assets). As at 31 August 2014, the Group's current ratio was 3.2 times (28 February 2014: 3.5 times) (Current ratio is calculated by using the following formula: Current Assets / Current Liabilities).

During the period under review, net cash generated from operations increased by RMB477.1 million to RMB3,281.8 million for the six months ended 31 August 2014 from RMB2,804.7 million for the six months ended 31 August 2013.

Net cash used in investing activities for the six months ended 31 August 2014 was RMB1,887.6 million (six months ended 31 August 2013: RMB1,644.7 million). During the period under review, the Group invested RMB1,294.6 million, RMB573.8 million and RMB242.5 million on net deposit in structured bank deposits, payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights and intangible assets and net increase in term deposits with initial terms of over three months, partly offset by RMB180.4 million of interest received and RMB37.6 million of cash acquired in acquisition of subsidiaries.

During the period under review, net cash used in financing activities was RMB2,710.8 million (six months ended 31 August 2013: RMB878.7 million), mainly attributable to the payments for purchase of shares for share award scheme of RMB1,545.0 million, the payments of the 2013 final dividend of RMB1,012.1 million and net repayment of borrowings of RMB185.0 million.

As at 31 August 2014, the Group held bank balances and cash, structured bank deposits and term deposits with initial terms of over three months totaling RMB9,753.2 million (28 February 2014: RMB10,233.0 million), and was in a net cash position of RMB7,570.5 million (28 February 2014: RMB7,872.9 million) after netting off the short-term borrowings of RMB2,182.7 million (28 February 2014: RMB2,360.1 million).

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

Coming into 2014, China's economy continued to struggle with overall weakness and slow growth. In the six months from January to June, GDP grew by 7.4% from the same period of last year and the average nominal disposable income of urban residents grew by 9.6% from the same period of last year. In the eight months from January to August, the consumer price index was up by 2.2% from the same period of last year, while the aggregate retail value of social consumer goods increased by 12.1%.

The structural transition of China's economy has great impact on consumer behavior. In the past decade of high growth, consumers were generally optimistic toward the future with strong consumer confidence. In the current era of slower growth and transition in the mode of development, the expectation is generally much lower despite the fact that most consumers are still receiving more income. Consumer confidence and the willingness to spend are significantly lower.

In addition to the overall backdrop of weak consumer sentiment, there are also a number of structural factors negatively impacting the business of the Group. First, the pro-thrift measures sponsored by the Chinese government over the past two years were likely to impair the real spending power of certain consumer groups. Second, department stores, the main sales channel for quality fashion products, are generally under pressure. Due to rapid growth of shopping malls and e-Commerce, foot traffic is drifting away from the department stores. The traffic issue is unlikely to go away in the near future.

Despite all the uncertainties and bearishness in the economic outlook and the business environment we still have conviction in the following trends. First, the continued development of China's economy is certain. Second, the continued trend for consumers to see higher income and stronger purchase power is certain. Third, with continued wage increase for low income groups the expansion of the overall consumer base is certain. As such, for a consumer retail company it is most important to maintain our own competitiveness in the marketplace. With stronger goodwill of our brands, highly competitive products, and a more responsive and adaptive organization, we are well positioned to take advantage of potential opportunities to continue to grow, even in a very challenging environment.

## **Review of the Footwear Business**

In the first half of Financial Year 2014/15, the footwear business of the Group only grew slightly, with a revenue growth of 6.6% compared with the same period of last year. Excluding the consolidation of newly acquired SKAP business, organic growth was below 5%. On the one hand, same store sales declined slightly. On the other hand there was a significant slowdown in new store opening.

In the review period, the footwear business recorded a low single digit same store sales decline. This was mainly due to overall weakness in the market and not a reflection of impaired competitiveness of our business. Take the Belle brand for example, the percentage of department stores in which the Belle brand ranked number one in the footwear department was consistent with the same period of the prior year. Within same store sales, average selling price was up slightly and volume was down.

In the review period, store network expansion was significant slower. From March to August we added 239 footwear stores on a net basis. Excluding the SKAP business that was consolidated during the period, total store count was largely flat from the end of last financial year. In the second quarter of the financial year, June to August, there was a small net decline in the total number of footwear stores. This was partly due to the seasonality of the footwear business. In many cases landlords and operators make adjustments to stores and counters just before the busy season starting in October. It is common industry practice to close some stores temporarily in August and open new stores in September. The temporary decline in store count does not reflect a change in the expansion strategy of the Group to scale back. However, considering the overall weakness in the economy and in the channels, the Group will be more cautious in new store expansion in the near future. We expect single digit growth in points of sales annually, rather than the double digit growth we experienced in the past few years. A prudent and reasonable pace of store expansion will enable the Group to enter high quality premises more selectively. Meanwhile we will be in a better position to consolidate managerial resources and improve quality of store operations, which will help alleviate the dilution to average store productivity that we experienced in the past few years due to lower than expected productivity of new stores.

Despite short term challenges the Group still expects to continue to expand the store network and increase business penetration in the longer term. Modern retail is still developing in China and far from saturation. A large number of small and medium sized cities, as well as emerging neighborhoods, are still not effectively covered and served by modern retail facilities. There is a long term demand for department stores and shopping malls, providing enough space for the Group to grow its footwear point of sales. Within existing department stores we currently operate fewer than six brands on average and have the ability to increase our presence. With a large portfolio of well-known brands, strong retail management capabilities, and the support of a flexible supply chain, the Group is well positioned to increase the penetration of our brands within department stores where we already have a presence and enhance our market share over time.

The gross profit margin of the footwear business was slightly higher than the same period of last year. First, the promotional environment was largely stable. Generally speaking, in an environment of weak consumer sentiment and slow traffic, excessive promotions sacrificing gross margins usually cannot bring in enough sales increase as expected. Second, there was a temporary shortage of workers last year just after the spring festival resulting in underutilization of our manufacturing facilities in southern China and a short-term spike in cost of manufacturing. This year during the same period utilization and cost of manufacturing was within the normal range. It is our view that, based on the existing business mix, the Group is well positioned to maintain a fairly consistent gross profit margin in the footwear business.

Selling and distribution expenses of the footwear business, as a percentage of sales, were only slightly higher than the same period of last year. Wage expenses were higher, as a percentage of sales, while rental expenses, concessionaire fees, and other expenses were slightly lower. In the first half of Financial Year 2014/15, our footwear business experienced a same store sales decline as well as continued increases in salaries and wages. That, however, did not result in a large increase in selling and distribution expenses as a percentage of sales. On the one hand this was due to the efficient retail management culture of the Group. On the other hand this also reflected a flexible cost structure of the Group, with relatively large variable costs and variable expenses, and thus less significant operating leverage.

General and administrative expenses, as a percentage of sales, were higher than the same period of last year. This was mainly due to relatively slow sales growth and a decline in same store sales in the first half of Financial Year 2014/15, which was not enough to effectively offset the increase of various administrative expenses especially wage expenses. On top of that there was also a small business mix change. Certain low-margin low-expense ancillary businesses including wholesale and group purchases further shrank as a percentage of overall sales, which also helped push the overall expense ratio higher for the footwear business.

In the first half of Financial Year 2014/15, the profit margin of segment results for the footwear business was 21.0%, slightly lower than the 21.4% margin of the same period of last year. The decline was mainly due to higher general and administrative expenses as a percentage of sales. Reported profit margin was lower than the full year number for Financial Year 2013/14, mainly due to seasonality of the retail business.



## Review of the Sportswear and Apparel Business

In the first half of Financial Year 2014/15, the sportswear and apparel business recorded revenue growth of 16.8%, mostly driven by strong same store sales growth at about 15%. Same store sales growth was mainly driven by volume growth of over 10%. Average selling price increased by low single digit.

In the first half of Financial Year 2014/15, there were 130 net additions to the network of sportswear and apparel retail outlets. Excluding the consolidation of Baroque China's retail business, the sportswear and apparel business added close to 100 stores during the period. In the near term the pace of new store opening will be relatively slow for the sportswear and apparel business, reflecting a cautious outlook in the channels and the prevailing environment.

The gross profit margin of the sportswear and apparel business was higher than the same period of last year by 2.0 percentage points because of two major reasons. First, less discounting contributed to a normalization of overall retail markdown. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost.

Various expenses of the sportswear and apparel business, including selling and distribution expenses, and general and administrative expenses, were only slightly up from the same period of last year, as a percentage of sales. As such the profit margin of segment results for the sportswear and apparel business was significantly higher during the review period at 7.4%, a 1.4 percentage point improvement from the 6.0% level in the same period of last year. Such an improvement can be attributed to the following factors. First, with the overall sportswear market improving, we recorded strong same store sales growth resulting in positive operating leverage. Second, with the destocking process largely complete a higher portion of sales came from new arrivals resulting in a normalization of overall retail markdown. Third, brand companies continued to provide meaningful support to distributors, resulting in reduced purchase cost.

Since the beginning of this year, we have observed significant improvement in the overall sportswear market in China, which likely can be attributed to the following factors. First, in the past two years the market was experiencing a gradual destocking process. By the end of last year inventory was right-sized with a favourable product mix, which provided positive support for the strong sales performance year to date. Second, over the past four to five years the sportswear distributors, as a group, experienced significant consolidation. Many smaller distributors without necessary resources and skills gradually exited the market. Larger and better distributors continued to consolidate distribution resources and at the same time continued to receive more strategic support from the brand companies. Third, in the past few quarters there was a trend in world fashion to utilize more athletic and sporty styles in product design, which also provided positive support for performance sports brands such as Nike and Adidas.

A more fundamental reason, in our view, is the secular trend of increasing participation in sports by Chinese consumers, continuously creating real demand for sportswear products. In the early stage of the sportswear market in China, a sizeable portion of consumer demand for sportswear products was not derived from a scenario of actual participation in sports, but rather, from an underserved demand for products suitable for lifestyle and social scenarios. In the years following 2008, sportswear brands were generally under pressure, largely due to the fast development of international lifestyle brands and fast fashion brands, resulting in painful and prolonged structural adjustments. However, in recent years, we have been observing increasing awareness of health among Chinese consumers. Participation in sports is significantly increasing, supporting real demand for sportswear products. This long term trend is likely a major driving force behind continued development and growth of the China market for sportswear products.

The Group believes that well-known global 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 brands to further grow the China market and continue to serve Chinese consumers with high quality sportswear products.

## **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 first half of Financial Year 2014/15, the sportswear and apparel business experienced faster growth and increased its proportional weight in the Group's overall revenue to 44.1%, from 41.9% in the same period last year.

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 profit margins. Meanwhile without involvement in manufacturing the sportswear and apparel business has faster inventory turnover than the footwear business. The store format and location is also different in the sportswear and apparel business as compared with the footwear business. Generally speaking the sportswear stores are located on higher floors in department stores, with larger size and higher sales turnover on a per store basis. As a result the concessionaire fee rate is usually lower for sportswear stores and expenses such as staff expenses are also lower as a percentage of sales. The increase in the proportional weight of the sportswear and apparel business had a negative impact on blended profitability metrics of the Group, and a positive impact on expense ratios and inventory turnover.

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 29.9% in the first half of Financial Year 2014/15, an increase of 3.2 percentage points from the same period of last year, due to two major reasons. First, the Company's subsidiaries in Mainland China declared or distributed more dividends to foreign holding companies during the period, thus the relevant withholding taxes increased. Second, our lower-taxed Hong Kong business recorded flat revenues during the period. Profit before income tax, however, declined due to higher expenses. As a result the relative contribution to overall incomes taxes was smaller from the Hong Kong region.

From 2013, in Mainland China, the income tax rate for the footwear businesses as well as the sportswear and apparel business has stabilized around 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 declaration or distribution 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 153.3 days in the first half of Financial Year 2014/15, lower than the 166.6 days of the same period last year. The inventory balance as at 31 August 2014 was RMB 6,945.5 million, also lower than the balance as at 31 August 2013.

The average inventory turnover days for the footwear business were 220.1 days, higher than the 209.0 days of the same period last year, due to three main reasons. First, same store sales declined during the period, negatively impacting inventory turnover efficiency. Second, last year's base was on the low side due to unusually low inventory level at the end of February 2013. Third, the Group made incremental adjustment to the timing of the product cycle resulting in slightly earlier fulfillment of first orders. As such at the end of August 2014, inventory-to-sales ratio was higher than previous years, but inventory aging was much younger.

For the sportswear and apparel business, the average inventory turnover days were 106.4 days, significantly lower than the 134.6 days of the same period last year. On the one hand, last year's base was on the high side due to the consolidation of Big Step in the second quarter last year, which resulted in higher-than-usual inventory for a limited time period. On the other hand, during the review period same store sales growth was stronger than expected. The Group has already taken proactive measures to address the tight inventory situation by increasing future orders for sportswear products.

As at 31 August 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.

## **Changes to the Organizational Structure**

As an enterprise grows there is a constant need for continued improvement to human resources and skills, as well as timely adjustments to the organizational structure, in order to adapt to changing market environment and consumer behavior.

The Group traditionally had a flat and decentralized organization with small headquarters and strong sales regions. This structure fit very well into the market environment in the past 20 years for the following reasons. First, at a stage of fast expansion of the market, a decentralized organization is best positioned to maximize channel penetration and market development on a national scale. Second, due to significant regional differences in China, differentiated demand necessitated that various sales regions take a leading role in merchandising and product assortment. Third, without a deep understanding of various brands consumers tended to be attracted by surface features and did not focus on underlying consistency and legacy of brands. The decentralized organization was well incentivized as well. With the added support of a demand-driven operational model, the Group was able to achieve fast penetration across the country, continuing to strengthen market competitiveness and market share.

In recent years we became more aware of the weaknesses inherent in the traditional organizational structure and operational model, due to increased business scale of the Group as well as gradual changes in the market environment and consumer behavior. First, as we continued to penetrate lower tier markets the operational decisions made at sales region level are increasingly removed from the front line, hindering relevance and timeliness of the decisions. Second, with intensified competition and continued consumer sophistication, the retail teams at the front line demand more professional support from the brand management teams at the headquarters. Third, the demand driven model often leads to a lack of differentiation between different brands as the same regions are in charge of product assortment, which is not in line with the inherent requirement for consistency and differentiation of a brand.

To adapt to the changing environment 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. End of the day brand managers and teams need to become guardians of the 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. In May this year the Group announced a new stock award plan, which is being implemented at the moment. The Group believes that with the new stock award plan we will be in a better position to make sure the front-line staff and key managers are sufficiently motivated and incentives are closely aligned to business performance. Better motivation and alignment will lead to enhanced competitiveness that will help the Group maintain long term sustainable growth.

## **Integration of Newly Acquired Businesses**

Last year the Group undertook two strategic investments and partnership projects. Currently both projects have been successfully integrated into the Group, ready for proactive development in the next stage.

The China retail business of Baroque, since the integration into the Group at the end of last year, has made promising progress on two fronts. First, business development into new regions. Before the partnership with the Group, Baroque China was only operating retail stores in tier one cities such as Beijing and Shanghai because it did not possess enough retail management resources to support cross-region development on a national scale. With a strong retail platform nationwide we have been able to provide strong support for Baroque in its channel development efforts. Since the beginning of 2014 Baroque methodically entered new markets including Guangzhou, Shenzhen, Wuhan, Chengdu, Hangzhou, Changsha, etc., with a well-defined plan to further penetrate second tier cities. Second, improvement in managerial efficiencies. Before the partnership with the Group, Baroque China was losing money due to limited scale and relative high cost. With the support of our highly efficient back office, Baroque not only achieved faster network expansion but also managed to cut its cost of operations. Currently Baroque has achieved breakeven in its China business. Next step the priorities for Baroque China is to continue to increase penetration of its brands, cultivate a localized team capable of product assortment and product design, and improve the supply chain model aimed at reducing cost and increasing flexibility and responsiveness.

The settlement of the SKAP acquisition was completed in March 2014. Its retail teams in various regions have been successfully integrated into respective regional retail companies of the Group. Due to the high-end market positioning of the SKAP brand, the Group plans to maintain its relative independence. At the headquarters level the original brand team is to manage the brand with a high level of discretion, to ensure there is continuation of the business, consistency of the brand, and sufficient differentiation of the products. In our areas of strength, the Group will provide sufficient support in supply chain integration, channel development, and retail management, to help the SKAP brand lower cost of manufacturing, enhance product quality, improve managerial efficiency, and above all, further expand its coverage across different regions on a national scale.

## **Prospects**

In the foreseeable future China's economy is expected to regroup and stabilize, without significant downside risk. However, structural changes, including evolving channels and shifting consumer behavior, will continue to put heavy pressure on fashion footwear and apparel retailers including ourselves in the near term.

In a market environment full of challenges, the Group will continue to implement various strategic measures already defined and established, focusing on the following key areas.

- Continue to push forward organizational change, promoting business innovation with innovative changes to business structure and relationships.
- Speed up the upgrade of information technology infrastructure of the Group. This will, on the one hand, create the technological foundation for future integration of our online business and offline business. On the other hand, data collection from and in-depth interaction with our customers will facilitate the transition toward a customer-centric organization.
- Further improve product development and craftsmanship to enhance product quality and increase user value. We always aim to create superior customer value vis-à-vis competition.
- Streamline warehousing and logistic resources on a national scale. We aim at improving the efficiency of our supply chain on the back of a standardized, highly efficient, modernized logistic system.
- Continue our investment in and exploration of emerging channels, actively developing the shopping mall channel with differentiated store formats and proactively grow the e-commerce business focused on the yougou.com platform in order to cultivate online sales capabilities.
- Build a long term horizon and cultivate future growth areas by actively pursuing new brands and new businesses.

The Group believes that the current difficult situation characterized by sluggish growth is only temporary and will not last in the long term. The demand for fashion footwear products by Chinese consumers is not only real but also growing. Given fairly low levels of penetration at the time we can expect long term growth in this market. Current difficulties are sector-wide and not company-specific. In such an environment it is important for all our colleagues to be confident and bold, to continue to learn and charge forward. We will be able to overcome short term difficulties and seize every opportunity to grow in the long run. The various innovation, exploration, investment and resource allocation measures discussed above will not be able to provide short-term growth momentum. But over the longer term these strategic moves will enable the Group to better diversify risk, take advantage of opportunities and strengthen competitiveness in the marketplace.

### **Pledge of Assets**

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

### **Contingent Liabilities**

As at 31 August 2014, the Group had no material contingent liabilities.

### **Human Resources**

As at 31 August 2014, the Group had a total of 118,835 employees (28 February 2014: 120,727 employees). During the six months ended 31 August 2014, total staff cost was RMB3,046.1 million (six months ended 31 August 2013: RMB2,745.7 million), accounting for 16.4% (six months ended 31 August 2013: 16.4%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus and share awards may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

## **GENERAL INFORMATION**

### **Interim Dividend and Special Dividend**

The Board has resolved to declare an interim dividend of RMB15.0 cents (2013 interim dividend: RMB8.0 cents) per ordinary share, totaling RMB1,265.1 million (2013 interim dividend: totaling RMB674.7 million), and a special dividend of RMB25.0 cents (2013 special dividend: Nil) per ordinary share, totaling RMB2,108.6 million (2013 special dividend: Nil) for the year ending 28 February 2015. The interim dividend and the special dividend will be paid on or about 30 December 2014 to members whose names appear on the register of members of the Company on 2 December 2014.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the official exchange rate of RMB against Hong Kong dollars (HK\$1.00 = RMB0.79211) as quoted by the People's Bank of China on 27 October 2014, being the date on which the interim dividend and the special dividend are declared by the Board. Accordingly, the amount of the interim dividend is HK18.94 cents per ordinary share and the special dividend is HK31.56 cents per ordinary share.

### **Closure of Register of Members**

The interim dividend will be paid on or about Tuesday, 30 December 2014 to the shareholders whose names appear on the register of members of the Company on Tuesday, 2 December 2014. The register of members of the Company will be closed from Friday, 28 November 2014, to Tuesday, 2 December 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17<sup>th</sup> Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 27 November 2014.

### **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 six months ended 31 August 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), Mr. Gao Yu (then Non-executive Director), Ms. Hu Xiaoling (Non-executive Director), Mr. Chan Yu Ling, Abraham (Independent Non-executive Director) and Dr. Xue Qiuzhi (Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on 5 August 2014 due to other personal commitments.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors of the Company. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the period under review.

### **Audit Committee**

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

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 31 August 2014.

### **Remuneration Committee**

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

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

### **Nomination Committee**

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

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

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

During the six months ended 31 August 2014, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

### **Sufficiency of Public Float**

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

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

Hong Kong, 27 October 2014

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

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