Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1880)

2014/15 Interim Report

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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

Ms. Hu Xiaoling

Independent Non-executive Directors

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

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
Mr. Gao Yu

Remuneration Committee

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

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
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Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
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Central
Hong Kong

Principal Share Registrar

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Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

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Investor Services Limited
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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.

FINANCIAL HIGHLIGHTS

		Six months ended 31 August	
		2014	2013
Revenue	RMB million	**18,556.1**	16,738.6
Operating profit	RMB million	**2,729.2**	2,422.6
Income tax expense	RMB million	**883.9**	696.7
Profit attributable to the Company's equity holders	RMB million	**2,077.9**	1,931.2
Gross profit margin	%	**56.3**	55.7
Operating profit margin	%	**14.7**	14.5
Profit margin attributable to the Company's equity holders	%	**11.2**	11.5
Earnings per share			
– basic	RMB cents	**24.90**	22.90
– diluted	RMB cents	**24.56**	22.90
Average trade receivables turnover period	days	**33.2**	35.3
Average trade payables turnover period	days	**20.5**	25.6
Average inventory turnover period	days	**153.3**	166.6
		Six months ended 31 August 2014	Six months ended 30 June 2013
Interim dividend per share	RMB cents	**15.00**	8.00
Special dividend per share	RMB cents	**25.00**	–
		As at 31 August 2014	As at 28 February 2014
Gearing ratio	%	**6.7**	7.3
Current ratio	times	**3.2**	3.5

STATEMENT FROM CHAIRMAN

Dear Shareholders,

Since the beginning of this year, the economic environment continues to be under pressure, both domestic and worldwide. China's economy is still in a painful structural transition with weak growth momentum. The overall retail market remains sluggish, with very weak consumer sentiment. Most fashion footwear and apparel brands and retailers are experiencing slow growth and margin erosion. In such a challenging environment, all my colleagues continued to work hard as one united team and achieved double-digit revenue growth and operating profit growth. I would like to take this opportunity to thank all my colleagues for their effort and achievement.

For the six months ended 31 August 2014 (the "review period" or the "first half of Financial Year 2014/15" hereinafter) the Group grew revenues by 10.9%, operating profits by 12.7%, profit attributable to equity holders of the Company by 7.6%, as compared with the same period of last year. In a weak environment, the Group was able to make timely adjustments in business strategy and tactics, which helped maintaining a healthy set of business metrics.

The Group continued to expand company-managed retail network in a prudent manner. During the first half of Financial Year 2014/15, in Mainland China, the net addition to company-managed retail outlets for footwear was 239, while for sportswear and apparel there were 130 net additions. As at 31 August 2014, the total number of company-managed retail outlets reached 19,700, of which 19,546 were in Mainland China, 154 in Hong Kong and Macau.

In the relatively weak economic environment, we have observed a number of positives signs that are gradually emerging. First, the macroeconomic policy is expected to further relax, gradually turning to the direction of stabilizing growth, promoting consumption, and structurally cutting taxes. Second, with the continuously rising wages and disposable income for ordinary workers, the mainstream consumer group is going to further consolidate its base, which is expected to promote continued expansion of demand for high quality branded products. Third, lower inflation expectations, together with improving sentiments in the property market and capital markets, will be positive for consumer confidence.

As such, while fully aware of short-term pressure and ready to adjust operational tactics, the Group is not pessimistic toward the overall prospect of the market. I believe, with all of our associates remaining passionate in business creation, open to new ideas and fresh perspectives, and continuing to learn and improve, we will be able to continue to innovate and achieve long-term sustainable growth.

Tang Yiu
Chairman

27 October 2014

STATEMENT FROM CEO

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board") and all employees of the Group, I am pleased to report the results for the six months ended 31 August 2014 (the "review period" or the "first half of Financial Year 2014/15" hereinafter) as follows:

RESULTS FOR THE FIRST HALF OF FINANCIAL YEAR 2014/15

The Group's revenue increased by 10.9% to RMB18,556.1 million in the first half of Financial Year 2014/15 compared with the same period of last year. Revenue of the footwear business increased by 6.6% to RMB10,355.0 million compared with the same period of last year. The sportswear and apparel business recorded revenue of RMB8,201.1 million, up by 16.8% from the same period of last year. 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. The footwear business contributed 55.9% of the revenue of the Group, lower than the 58.1% level in the same period of last year.

The Group's operating profit was RMB2,729.2 million, an increase of 12.7% from the same period of last year. Operating profit grew faster than the top line, mainly because of significant improvement to the operating profit margin of segment results for the sportswear and apparel business.

Profit attributable to the equity holders of the Company amounted to RMB2,077.9 million, an increase of 7.6% from the same period of last year. Basic earnings per share amounted to RMB24.90 cents, an increase of 8.7% from the RMB22.90 cents of the same period last year. Diluted earnings per share amounted to RMB24.56 cents, an increase of 7.2% from the RMB22.90 cents of the same period last year.

The Board has resolved to declare an interim dividend of RMB15.0 cents (Financial Year 2013/14 interim dividend: RMB8.0 cents) per ordinary share and a special dividend of RMB25.0 cents (Financial Year 2013/14 special dividend: Nil) per ordinary share, for a total of RMB40.0 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.

STATEMENT FROM CEO

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.

	Six months ended 31 August				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**9,340.6**	**90.2%**	8,806.4	90.6%	6.1%
Distribution brands	**847.8**	**8.2%**	728.4	7.5%	16.4%
Sub-total	**10,188.4**	**98.4%**	9,534.8	98.1%	6.9%
International trade	**166.6**	**1.6%**	180.3	1.9%	(7.6%)
Total	**10,355.0**	**100.0%**	9,715.1	100.0%	6.6%

Unit: RMB million

Sportswear and apparel 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 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.

	Six months ended 31 August				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands	**7,226.4**	**88.1%**	6,245.1	88.9%	15.7%
Second-tier sportswear brands	**787.3**	**9.6%**	704.4	10.0%	11.8%
Other sportswear and apparel business	**187.4**	**2.3%**	74.0	1.1%	153.2%
Total	**8,201.1**	**100.0%**	7,023.5	100.0%	16.8%

Unit: RMB million

STATEMENT FROM CEO

Expansion of company-managed retail outlets network

The following map shows the geographical distribution of company-managed retail outlets of the Group in Mainland China as at 31 August 2014.

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.

	Number of Company-managed Retail Outlets							
	Footwear			Sportswear and Apparel				
Region	Company-owned brands	Distribution brands	Sub-total	First-tier brands	Second-tier brands	Apparel	Sub-total	Total
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
Total	12,351	1,140	13,491	4,984	1,032	39	6,055	19,546

Note: In addition, the Group operates 154 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

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.

STATEMENT FROM CEO

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.

STATEMENT FROM CEO

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.

STATEMENT FROM CEO

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.

STATEMENT FROM CEO

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.

STATEMENT FROM CEO

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.

STATEMENT FROM CEO

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.

In my view 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.

Sheng Baijiao
CEO and Executive Director

27 October 2014

MANAGEMENT DISCUSSION AND ANALYSIS

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				
	2014		2013		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**9,340.6**	**50.4%**	8,806.4	52.6%	6.1%
Distribution brands	**847.8**	**4.6%**	728.4	4.4%	16.4%
International trade	**166.6**	**0.9%**	180.3	1.1%	(7.6%)
Sub-total	**10,355.0**	**55.9%**	9,715.1	58.1%	6.6%
Sportswear and apparel					
First-tier sportswear brands*	**7,226.4**	**38.9%**	6,245.1	37.3%	15.7%
Second-tier sportswear brands*	**787.3**	**4.2%**	704.4	4.2%	11.8%
Other sportswear and apparel business	**187.4**	**1.0%**	74.0	0.4%	153.2%
Sub-total	**8,201.1**	**44.1%**	7,023.5	41.9%	16.8%
Total	**18,556.1**	**100.0%**	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					
	2014		2013		Growth rate	
	Footwear	**Sportswear and apparel**	Footwear	Sportswear and apparel	Footwear	Sportswear and apparel
Revenue	**10,355.0**	**8,201.1**	9,715.1	7,023.5	6.6%	16.8%
Costs of sales	**(3,346.5)**	**(4,766.5)**	(3,185.9)	(4,223.6)	5.0%	12.9%
Gross profit	**7,008.5**	**3,434.6**	6,529.2	2,799.9	7.3%	22.7%
Gross profit margin	**67.7%**	**41.9%**	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 retails 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%.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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.

INTERIM DIVIDEND AND SPECIAL DIVIDEND

The board of directors of the Company (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, 17th 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

TO THE BOARD OF DIRECTORS OF BELLE INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 56, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2014 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 October 2014

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CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

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

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

Details of dividends payable to equity holders of the Company for the period are set out in Note 10.

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*
Profit for the period	**2,072.9**	1,912.8
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to income statement:		
Exchange differences	**3.7**	(4.8)
Other comprehensive income/(loss) for the period	**3.7**	(4.8)
Total comprehensive income for the period	**2,076.6**	1,908.0
Attributable to:		
Equity holders of the Company	**2,081.6**	1,926.4
Non-controlling interests	**(5.0)**	(18.4)
	2,076.6	1,908.0

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2014

	Note	**Unaudited As at 31 August 2014 *RMB million***	Audited As at 28 February 2014 *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**3,811.2**	3,691.1
Land use rights	11	**1,558.2**	1,557.0
Investment properties	11	**320.5**	324.5
Intangible assets	11	**3,882.1**	3,469.3
Interests in associates and a joint venture		**693.6**	688.7
Long-term deposits, prepayments and other non-current assets	12	**316.8**	1,008.3
Deferred income tax assets		**422.0**	449.1
Structured bank deposits	13	**1,604.3**	509.5
		12,608.7	11,697.5
Current assets			
Inventories		**6,945.5**	6,570.6
Trade receivables	14	**3,420.2**	3,284.8
Deposits, prepayments and other receivables	12	**1,288.8**	1,117.5
Structured bank deposits	13	**6,317.6**	6,816.4
Term deposits with initial terms of over three months	13	**324.2**	82.1
Bank balances and cash	13	**1,507.1**	2,825.0
		19,803.4	20,696.4
Total assets		**32,412.1**	32,393.9

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2014

	Note	**Unaudited As at 31 August 2014 *RMB million***	Audited As at 28 February 2014 *RMB million*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	17	**83.1**	83.1
Share premium	17	**9,214.1**	9,214.1
Reserves		**16,455.0**	16,892.0
		25,752.2	26,189.2
Non-controlling interests		**190.2**	146.1
Total equity		**25,942.4**	26,335.3
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**217.8**	159.6
Deferred income		**59.3**	62.5
		277.1	222.1
Current liabilities			
Trade payables	15	**1,047.7**	761.2
Other payables, accruals and other current liabilities		**1,738.4**	1,518.7
Short-term borrowings	16	**2,182.7**	2,360.1
Current income tax liabilities		**1,223.8**	1,196.5
		6,192.6	5,836.5
Total liabilities		**6,469.7**	6,058.6
Total equity and liabilities		**32,412.1**	32,393.9
Net current assets		**13,610.8**	14,859.9
Total assets less current liabilities		**26,219.5**	26,557.4

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

	Unaudited											
	Capital and reserves attributable to equity holders of the Company											
	Share capital RMB million (Note 17)	Share premium RMB million (Note 17)	Shares held for share award scheme RMB million (Note 17)	Share-based compensation reserve RMB million (Note 18)	Merger reserve RMB million	Statutory reserves RMB million	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 six months ended 31 August 2014												
As at 1 March 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
Comprehensive income:												
Profit for the period	-	-	-	-	-	-	-	-	2,077.9	2,077.9	(5.0)	2,072.9
Other comprehensive income:												
Exchange differences	-	-	-	-	-	-	-	3.7	-	3.7	-	3.7
Total comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	3.7	2,077.9	2,081.6	(5.0)	2,076.6
Dividends	-	-	-	-	-	-	-	-	(1,012.1)	(1,012.1)	-	(1,012.1)
Employee share award scheme												
– value of employee services	-	-	-	38.5	-	-	-	-	-	38.5	-	38.5
– Shares purchased for share award scheme	-	-	(1,545.0)	-	-	-	-	-	-	(1,545.0)	-	(1,545.0)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	49.1	49.1
Transfer to reserves	-	-	-	-	-	23.9	-	-	(23.9)	-	-	-
	-	-	(1,545.0)	38.5	-	23.9	-	-	(1,036.0)	(2,518.6)	49.1	(2,469.5)
As at 31 August 2014	83.1	9,214.1	(1,545.0)	38.5	3.5	1,112.2	0.1	(104.5)	16,950.2	25,752.2	190.2	25,942.4

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

	Unaudited									
	Capital and reserves attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 17)*	Share premium *RMB million* *(Note 17)*	Merger reserve *RMB million*	Statutory reserves *RMB million*	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 six months ended 31 August 2013										
As at 1 March 2013	83.1	9,214.1	3.5	923.6	0.1	(67.8)	13,020.3	23,176.9	134.3	23,311.2
Comprehensive income:										
Profit for the period	–	–	–	–	–	–	1,931.2	1,931.2	(18.4)	1,912.8
Other comprehensive loss:										
Exchange differences	–	–	–	–	–	(4.8)	–	(4.8)	–	(4.8)
Total comprehensive (loss)/ income for the period	–	–	–	–	–	(4.8)	1,931.2	1,926.4	(18.4)	1,908.0
Dividends	–	–	–	–	–	–	(1,349.4)	(1,349.4)	–	(1,349.4)
Transfer to reserves	–	–	–	164.7	–	–	(164.7)	–	–	–
	–	–	–	164.7	––	–	(1,514.1)	(1,349.4)	–	(1,349.4)
As at 31 August 2013	83.1	9,214.1	3.5	1,088.3	0.1	(72.6)	13,437.4	23,753.9	115.9	23,869.8

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

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

The notes on pages 35 to 56 are an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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"). This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This 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. This 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 ("Longhao") at a consideration of not exceeding RMB700.0 million. Further details are given in Note 19.

On 26 May 2014, the Group adopted a share award scheme (the "Share Award Scheme") and details are given in Note 18.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This 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". This 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 this 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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

(1) Effective for the Group for annual period beginning on 1 March 2015.
(2) Effective for the Group for annual period beginning on 1 March 2016.
(3) Effective for the Group for annual period beginning on 1 March 2017.
(4) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(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 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the fourteen months ended 28 February 2014.

There have been no changes in the risk management policies since 28 February 2014.

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

4 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.

The chief operating decision-maker ("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, share of results of associates and a joint venture, 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 information.

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

4 SEGMENT INFORMATION (continued)

	Six months ended 31 August 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	10,355.0	8,100.2	18,455.2	–	18,455.2
Commissions from concessionaire sales	–	100.9	100.9	–	100.9
	10,355.0	8,201.1	18,556.1	–	18,556.1
Results of reportable segments	2,170.8	609.4	2,780.2	–	2,780.2

Reconciliation of results of reportable segments to profit for the period

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

	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Other segment information					
Depreciation on property, plant and equipment	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

4 SEGMENT INFORMATION (continued)

	Six months ended 31 August 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	9,715.1	6,949.5	16,664.6	–	16,664.6
Commissions from concessionaire sales	–	74.0	74.0	–	74.0
	9,715.1	7,023.5	16,738.6	–	16,738.6
Results of reportable segments	2,075.6	422.8	2,498.4	–	2,498.4
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					2,498.4
Amortization of intangible assets					(64.1)
Unallocated income					17.1
Unallocated expenses					(28.8)
Operating profit					2,422.6
Finance income					203.0
Finance costs					(18.9)
Share of results of associates and a joint venture					2.8
Profit before income tax					2,609.5
Income tax expense					(696.7)
Profit for the period					1,912.8
Other segment information					
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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (continued)

	As at 31 August 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	13,309.7	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)
	13,971.6	6,977.7	20,949.3	–	20,949.3
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
Total assets per condensed consolidated balance sheet	13,971.6	6,977.7	20,949.3	11,462.8	32,412.1
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)
	1,989.0	815.0	2,804.0	–	2,804.0
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
Total liabilities per condensed consolidated balance sheet	1,989.0	815.0	2,804.0	3,665.7	6,469.7

4 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 condensed 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 condensed consolidated balance sheet	1,644.5	674.5	2,319.0	3,739.6	6,058.6

4 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:

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

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 31 August 2014				
Non-current assets				
Property, plant and equipment	**3,498.6**	**312.6**	**–**	**3,811.2**
Land use rights	**1,558.2**	**–**	**–**	**1,558.2**
Investment properties	**274.4**	**46.1**	**–**	**320.5**
Intangible assets	**3,810.3**	**71.8**	**–**	**3,882.1**
Interests in associates and a joint venture	**106.6**	**–**	**587.0**	**693.6**
Long-term deposits, prepayments and other non-current assets	**236.3**	**44.8**	**35.7**	**316.8**
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
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

5 OTHER INCOME

	Six months ended 31 August	
	2014	2013
	RMB million	*RMB million*
Rental income	**20.8**	17.1
Government incentives *(note)*	**184.3**	191.1
	205.1	208.2

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

6 OPERATING PROFIT

Operating profit is stated after charging the following:

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

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

7 FINANCE INCOME, NET

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

8 INCOME TAX EXPENSE

	Six months ended 31 August	
	2014	2013
	RMB million	*RMB million*
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)
	883.9	696.7

During the period, substantially all of the PRC established subsidiaries of the Company are subject to the 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% (six months ended 31 August 2013: 16.5%) and at the tax rates prevailing in Macau respectively on the estimated assessable profit for the period.

9 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	*RMB million*	**2,077.9**	1,931.2
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of share*	**8,346,355**	8,434,233
Basic earnings per share	*RMB cents*	**24.90**	22.90

Diluted

The awarded shares granted by the Company (Note 18) 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	*RMB million*	**2,077.9**	1,931.2
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of share*	**8,346,355**	8,434,233
Adjustment for awarded shares granted	*thousand of share*	**115,500**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	*thousand of share*	**8,461,855**	8,434,233
Diluted earnings per share	*RMB cents*	**24.56**	22.90

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 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.

11 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment *RMB million*	Land use rights *RMB million*	Investment properties *RMB million*	Goodwill *RMB million*	Other intangible assets *(note)* *RMB million*	Total intangible assets *RMB million*	Total *RMB million*
Net book value as at 1 March 2014	**3,691.1**	**1,557.0**	**324.5**	**2,730.9**	**738.4**	**3,469.3**	**9,041.9**
Acquisition of subsidiaries *(Note 19)*	**26.2**	**15.1**	**–**	**232.9**	**222.0**	**454.9**	**496.2**
Additions	**575.3**	**–**	**–**	**–**	**0.9**	**0.9**	**576.2**
Depreciation/amortization	**(472.9)**	**(13.9)**	**(4.1)**	**–**	**(43.0)**	**(43.0)**	**(533.9)**
Disposals/write-off	**(9.5)**	**–**	**–**	**–**	**–**	**–**	**(9.5)**
Exchange differences	**1.0**	**–**	**0.1**	**–**	**–**	**–**	**1.1**
Net book value as at 31 August 2014	**3,811.2**	**1,558.2**	**320.5**	**2,963.8**	**918.3**	**3,882.1**	**9,572.0**
Net book value as at 1 March 2013	3,516.6	1,295.1	334.0	2,195.6	516.0	2,711.6	7,857.3
Acquisition of subsidiaries	65.5	–	–	517.1	249.0	766.1	831.6
Additions	600.5	172.7	–	–	11.5	11.5	784.7
Depreciation/amortization	(494.3)	(14.1)	(4.1)	–	(64.1)	(64.1)	(576.6)
Disposals/write-off	(21.9)	–	–	–	–	–	(21.9)
Exchange differences	(4.2)	–	(0.6)	–	–	–	(4.8)
Net book value as at 31 August 2013	3,662.2	1,453.7	329.3	2,712.7	712.4	3,425.1	8,870.3

Note: Other intangible assets include trademarks, distribution and license contracts, and computer software.

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 August 2014 *RMB million*	As at 28 February 2014 *RMB million*
Non-current		
Rental deposits and prepayments	**194.2**	218.0
Prepayments for capital expenditures	**85.9**	88.3
Prepayments for acquisition of subsidiaries	**–**	665.0
Others	**36.7**	37.0
	316.8	1,008.3
Current		
Rental deposits and prepayments	**788.5**	735.1
Value-added tax recoverables	**101.2**	132.4
Other receivables	**181.7**	114.8
Other prepayments	**174.0**	68.6
Advance to an associate	**1.4**	24.6
Receivable from a joint venture	**42.0**	42.0
	1,288.8	1,117.5

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

13 STRUCTURED BANK DEPOSITS, TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS AND BANK BALANCES AND CASH

(a) 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 31 August 2014, approximately 62% (28 February 2014: 70%) of the Group's structured bank deposits will mature within 6 months, of which RMB110.1 million (28 February 2014: RMB880.0 million) was qualified as cash and cash equivalents. The weighted average effective interest rate of the Group's structured bank deposits as at 31 August 2014 was 5.86% (28 February 2014: 5.63%) per annum. These balances are denominated in RMB.

(b) 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 31 August 2014 was 3.01% (28 February 2014: 3.31%) per annum. These balances are denominated in RMB.

13 STRUCTURED BANK DEPOSITS, TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS AND BANK BALANCES AND CASH (continued)

(c) Bank balances and cash

	As at 31 August 2014 *RMB million*	As at 28 February 2014 *RMB million*
Bank balances and cash	**1,297.6**	2,151.7
Term deposits with initial terms of less than three months	**209.5**	673.3
	1,507.1	2,825.0
Denominated in:		
RMB	**1,264.2**	2,491.8
HK$	**230.2**	195.5
Other currencies	**12.7**	137.7
	1,507.1	2,825.0

As at 31 August 2014, the weighted average effective interest rate of the Group's term deposits with initial terms of less than three months was 3.0% (28 February 2014: 1.77%) per annum.

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

(d) Cash and cash equivalents

Cash and cash equivalents of the Group comprise:

	As at 31 August 2014 *RMB million*	As at 28 February 2014 *RMB million*
Bank balances and cash	**1,507.1**	2,825.0
Structured bank deposits	**110.1**	880.0
	1,617.2	3,705.0

14 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:

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

The carrying amounts of trade receivables approximate their fair values.

15 TRADE PAYABLES

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

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

The carrying amounts of trade payables approximate their fair values.

16 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 bank borrowings are wholly repayable within 5 years.

17 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME

Share capital

	Ordinary shares of HK$0.01 each	Nominal amount
	Number of shares	*RMB million*
Authorized:		
As at 1 January 2013, 28 February 2014 and 31 August 2014	30,000,000,000	296.0
Issued and fully paid:		
As at 1 January 2013, 28 February 2014 and 31 August 2014	8,434,233,000	83.1

Share premium

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.

Shares held for share award scheme

The Share Award Scheme is managed by the Share Scheme Trustee established by the Group during the period. According to the Share Award Scheme approved by the Board of Directors on 26 May 2014, the Board of Director may from time to time determine the maximum number of ordinary shares of the Company which may be purchased by the Share Scheme Trustee in the open market on the Stock Exchange. At the initial stage, the maximum number of shares which may be purchased by the Share Scheme Trustee is 3% of the issued share capital of the Company at the adoption date.

During the six months ended 31 August 2014, the Group acquired and withheld approximately 2.7% of the issued share capital of the Company (six months ended 31 August 2013: Nil) through the Share Scheme Trustee for an aggregate consideration of approximately HK$1,922.6 million (equivalent to approximately RMB1,545.0 million) (six months ended 31 August 2013: Nil), which had been deducted from shareholders' equity. Up to the date of this condensed consolidated interim financial information, the Group has acquired and withheld 252,999,832 ordinary shares of the Company, which approximates the maximum number of shares that may be purchased as stated above.

18 SHARE-BASED COMPENSATION

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 of Directors 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 of Directors 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 31 August 2014.

Share Award Scheme

The Board of Directors 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 of Directors.

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 10 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 ACQUISITION OF SUBSIDIARIES

On 8 September 2013, the Group entered into a share purchase agreement with certain independent third parties to acquire the entire equity interest in Longhao for a cash consideration of not exceeding RMB700.0 million (the "Acquisition"). The Acquisition was completed in March 2014 and the control of Longhao was effectively passed to the Group on 7 March 2014.

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 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 goodwill of RMB232.9 million arising from the Acquisition is mainly attributable to the operational synergy to be attained.

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

	RMB million
Cash settled up to 31 August 2014	**665.0**
Consideration payable as at 31 August 2014	**35.0**
Total cash consideration	**700.0**

Fair value of identifiable assets acquired and liabilities assumed

	RMB million
Property, plant and equipment *(Note 11)*	**26.2**
Land use rights *(Note 11)*	**15.1**
Trade and other receivables	**151.5**
Inventories	**248.4**
Other intangible assets *(Note 11)*	**222.0**
Bank balances and cash	**37.6**
Trade and other payables	**(179.7)**
Deferred income tax liabilities	**(54.0)**
Total identifiable net assets	**467.1**
Goodwill *(Note 11)*	**232.9**
	700.0

19 ACQUISITION OF SUBSIDIARIES (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 Longhao. As at the date of this report, the initial accounting for the Acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the Acquisition are still progressing. Acquisition-related costs were not significant and have been charged to general and administrative expenses.

The revenue and the results contributed by Longhao to the Group for the period since the completion of 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 March 2014.

20 CAPITAL COMMITMENTS

As at 31 August 2014, the Group had the following capital commitments not provided for:

	As at 31 August 2014	As at 28 February 2014
	RMB million	*RMB million*
Construction commitments:		
– Contracted but not provided for	**642.0**	498.0
Acquisition of subsidiaries:		
– Contracted but not provided for	**–**	35.0

21 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 condensed consolidated interim financial information:

Transactions for the period

	Six months ended 31 August	
	2014	2013
	RMB million	*RMB million*
Transactions with associates *(note (a))*		
– Sales of goods	**22.3**	0.2
– Processing fee income	**13.1**	5.7
– Processing fee charges	**7.0**	2.1
– Purchases of goods	**157.6**	45.9
Key management compensation		
– Salaries, bonuses and other welfare *(note (b))*	**7.3**	7.2

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS (continued)

Period-end balances

	As at 31 August 2014 *RMB million*	As at 28 February 2014 *RMB million*
Receivables from/(payables to) associates		
– Trade receivable *(note (c))*	**14.3**	29.0
– Other receivable *(note (d))*	**1.4**	24.6
– Trade payable *(note (c))*	**(23.9)**	(74.3)
– Other payable *(note (d))*	**(3.2)**	–
Other receivable from a joint venture *(note (e))*	**42.0**	42.0

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 with associates are unsecured, interest free, repayable on demand and denominated in RMB.

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

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

As at 31 August 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 Rules Governing the Listing of Securities on the Stock Exchange (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" of Note 18 to the Condensed Consolidated Interim Financial Information.

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.

GENERAL INFORMATION

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

As at 31 August 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	3,931,750,000 (L)	46.61%
Handy Limited	Beneficial interest	580,877,000 (L)	6.89%
Essen Worldwide Limited	Beneficial interest	723,373,000 (L)	8.58%
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)	0.02%
JPMorgan Chase & Co. *(Note 5)*	Beneficial owner/ Investment manager/ Custodian corporation/ Approved lending agent	504,445,152 (L)	5.98%
	Beneficial owner	14,884,789 (S)	0.17%
	Custodian corporation/ Approved lending agent	342,157,853 (P)	4.05%

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 the issued share capital of Profit Leader.

(5) JPMorgan Chase & Co., through various subsidiaries, had interest in the Shares, of which 47,287,067 Shares (long position) and 14,884,789 Shares (short position) were held in its capacity as beneficial owner, 115,000,232 Shares (long position) were held in its capacity as investment manager and 342,157,853 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 31 August 2014.

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.

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 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 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.

GENERAL INFORMATION

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee include (but without limitation) assisting the board of directors of the Company (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.

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 report, the Company has maintained the prescribed minimum public float under the Listing Rules.

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