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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016

FINANCIAL HIGHLIGHTS

		Unaudited Six months ended 31 August	
		2016	2015
Revenue	RMB million	**19,526.0**	19,359.6
Operating profit	RMB million	**2,278.2**	2,839.7
Income tax expense	RMB million	**707.6**	832.8
Profit attributable to the Company's equity holders	RMB million	**1,732.6**	2,158.1
Gross profit margin	%	**53.9**	56.7
Operating profit margin	%	**11.7**	14.7
Profit margin attributable to the Company's equity holders	%	**8.9**	11.1
Earnings per share			
– basic	RMB cents	**21.18**	26.38
– diluted	RMB cents	**20.54**	25.59
Interim dividend per share	RMB cents	**12.00**	16.00

INTERIM RESULTS

The board of directors (the "Board" or "Directors") of Belle International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 August 2016 (the "review period"), together with comparative information for the same period of 2015, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

		Unaudited Six months ended 31 August	
		2016	2015
	Note	***RMB million***	*RMB million*
Revenue	3	**19,526.0**	19,359.6
Cost of sales		**(9,000.1)**	(8,383.4)
Gross profit		**10,525.9**	10,976.2
Selling and distribution expenses		**(6,749.2)**	(6,615.7)
General and administrative expenses		**(1,729.0)**	(1,701.2)
Other income	4	**244.2**	193.3
Other expenses		**(13.7)**	(12.9)
Operating profit	5	**2,278.2**	2,839.7
Finance income		**161.7**	228.1
Finance costs		**(0.1)**	(94.2)
Finance income, net	6	**161.6**	133.9
Share of results of associates and a joint venture		**1.6**	22.6
Profit before income tax		**2,441.4**	2,996.2
Income tax expense	7	**(707.6)**	(832.8)
Profit for the period		**1,733.8**	2,163.4
Attributable to:			
Equity holders of the Company		**1,732.6**	2,158.1
Non-controlling interests		**1.2**	5.3
		1,733.8	2,163.4
Earnings per share attributable to equity holders of the Company during the period	8	***RMB cents***	*RMB cents*
– basic		**21.18**	26.38
– diluted		**20.54**	25.59

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Profit for the period	**1,733.8**	2,163.4
Other comprehensive income/(loss)		
Items that may be subsequently reclassified to income statement:		
Exchange differences	**169.9**	(55.8)
Other comprehensive income/(loss) for the period	**169.9**	(55.8)
Total comprehensive income for the period	**1,903.7**	2,107.6
Attributable to:		
Equity holders of the Company	**1,902.5**	2,102.3
Non-controlling interests	**1.2**	5.3
	1,903.7	2,107.6

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	**Unaudited As at 31 August 2016** *RMB million*	Audited As at 29 February 2016 *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,550.2**	4,561.3
Land use rights		**1,510.1**	1,525.3
Investment properties		**239.4**	241.6
Intangible assets		**2,542.2**	2,582.8
Available-for-sale financial assets		**181.4**	—
Interests in associates and a joint venture		**1,049.7**	946.2
Long-term deposits, prepayments and other assets		**486.2**	393.4
Deferred income tax assets		**488.1**	457.7
		11,047.3	10,708.3
Current assets			
Inventories		**7,720.6**	6,877.4
Trade receivables	10	**3,410.0**	4,326.9
Deposits, prepayments and other receivables		**1,682.1**	1,360.7
Structured bank deposits		**1,570.7**	4,629.8
Term deposits with initial terms of over three months		**3,461.7**	23.0
Bank balances and cash		**2,597.0**	3,128.7
		20,442.1	20,346.5
Total assets		**31,489.4**	31,054.8

	Note	Unaudited As at 31 August 2016 RMB million	Audited As at 29 February 2016 RMB million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**83.1**	83.1
Share premium		**9,214.1**	9,214.1
Reserves		**17,193.6**	15,778.9
		26,490.8	25,076.1
Non-controlling interests		**135.5**	209.9
Total equity		**26,626.3**	25,286.0
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**114.9**	122.5
Deferred income		**47.9**	50.9
		162.8	173.4
Current liabilities			
Trade payables	11	**1,505.9**	956.9
Other payables, accruals and other liabilities		**2,089.3**	2,112.0
Short-term borrowings		**—**	860.6
Current income tax liabilities		**1,105.1**	1,665.9
		4,700.3	5,595.4
Total liabilities		**4,863.1**	5,768.8
Total equity and liabilities		**31,489.4**	31,054.8

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Unaudited	
	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Cash flows from operating activities		
Net cash generated from operations	**3,365.3**	4,088.6
Income tax paid	**(1,306.4)**	(955.0)
Net cash generated from operating activities	**2,058.9**	3,133.6
Cash flows from investing activities		
Loan to an associate	**(111.7)**	—
Payments and deposits for purchase of property, plant and equipment and land use rights	**(574.8)**	(518.2)
Proceeds from disposal of property, plant and equipment and land use rights	**34.8**	11.5
Placement of structured bank deposits	**(1,317.5)**	(9,913.0)
Proceeds from maturity of structured bank deposits	**4,561.5**	8,808.3
Increase in term deposits with initial terms of over three months	**(3,428.4)**	(1,385.2)
Interest received	**164.5**	186.6
Net cash used in investing activities	**(671.6)**	(2,810.0)
Cash flows from financing activities		
Dividends paid	**(506.1)**	(1,602.5)
Interest paid	**(0.1)**	(28.4)
Acquisition of equity interests of a subsidiary from non-controlling shareholders	**(134.0)**	—
Acquisition of available-for-sale financial assets	**(181.4)**	—
Proceeds from borrowings	**—**	3,667.8
Repayments of borrowings	**(861.3)**	(2,477.0)
Net cash used in financing activities	**(1,682.9)**	(440.1)
Net decrease in cash and cash equivalents	**(295.6)**	(116.5)
Cash and cash equivalents at beginning of the period	**3,212.7**	2,730.7
Exchange gains on cash and cash equivalents	**29.9**	2.1
Cash and cash equivalents at end of the period	**2,947.0**	2,616.3

NOTES

1 GENERAL INFORMATION

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

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

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

The condensed consolidated interim financial information for the six months ended 31 August 2016 is unaudited and has been reviewed by the audit committee and the external auditor of the Company. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 24 October 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial information for the six months ended 31 August 2016 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual consolidated financial statements for the year ended 29 February 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of the interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 29 February 2016.

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 year ended 29 February 2016, except as mentioned below.

(a) Effect of adopting new standard and amendments to standards

The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 March 2016, the adoption of which does not have any significant impact to the results and financial position of the Group.

IFRSs (amendment)	Annual improvements to IFRSs 2012-2014 cycle
IFRS 10, IFRS 12 and IAS 28 (2011) (amendment)	Investment entities: applying the consolidation exception
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14	Regulatory deferral accounts
IAS 1 (amendment)	Disclosure initiative
IAS 16 and IAS 38 (amendment)	Acceptable methods of depreciation and amortization
IAS 16 and IAS 41 (amendment)	Agriculture: Bearer plants
IAS 27 (2011) (amendment)	Equity method in separate financial statements

(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 financial year beginning 1 March 2016 and have not been early adopted by the Group:

IFRS 2 (amendment)	Classification and measurement of share-based payment transactions [2]
IFRS 9 (2014)	Financial instruments [2]
IFRS 10 and IAS 28 (amendment)	Sale or contribution of assets between an investor and its associates or joint venture [4]
IFRS 15	Revenue from contracts with customers [2]
IFRS 16	Leases [3]
IAS 7 (amendment)	Statement of cash flows - disclosure initiative [1]
IAS 12 (amendment)	Recognition of deferred tax assets for unrealised losses [1]

(1) Effective for the Group for annual period beginning on 1 March 2017.
(2) Effective for the Group for annual period beginning on 1 March 2018.
(3) Effective for the Group for annual period beginning on 1 March 2019.
(4) Effective date to be determined.

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

(c) Tax

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

3 SEGMENT INFORMATION

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

	Six months ended 31 August 2016				
	Shoes and footwear products	**Sportswear and apparel products**	**Total reportable segments**	**Unallocated**	**Total**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue					
Sales of goods	**8,585.7**	**10,829.3**	**19,415.0**	**—**	**19,415.0**
Commissions from concessionaire sales	**—**	**111.0**	**111.0**	**—**	**111.0**
	8,585.7	**10,940.3**	**19,526.0**	**—**	**19,526.0**
Results of reportable segments	**1,430.3**	**915.9**	**2,346.2**	**—**	**2,346.2**
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					**2,346.2**
Amortization of intangible assets					**(40.6)**
Unallocated income					**22.8**
Unallocated expenses					**(50.2)**
Operating profit					**2,278.2**
Finance income					**161.7**
Finance costs					**(0.1)**
Share of results of associates and a joint venture					**1.6**
Profit before income tax					**2,441.4**
Income tax expense					**(707.6)**
Profit for the period					**1,733.8**
Other segment information					
Depreciation on property, plant and equipment	**285.4**	**184.7**	**470.1**	**19.5**	**489.6**
Amortization of land use rights	**3.0**	**2.8**	**5.8**	**8.4**	**14.2**
Depreciation on investment properties	**—**	**—**	**—**	**3.3**	**3.3**
Amortization of intangible assets	**18.0**	**22.6**	**40.6**	**—**	**40.6**
Gain on disposal of property, plant and equipment and land use rights	**(6.6)**	**—**	**(6.6)**	**—**	**(6.6)**
Write-off of property, plant and equipment	**4.3**	**0.7**	**5.0**	**—**	**5.0**
Impairment losses of inventories	**—**	**9.1**	**9.1**	**—**	**9.1**
Employee share-based compensation expense	**42.2**	**34.5**	**76.7**	**—**	**76.7**
Additions to non-current assets	**214.7**	**225.4**	**440.1**	**134.7**	**574.8**

	Six months ended 31 August 2015				
	Shoes and Footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenue					
Sales of goods	9,835.7	9,413.5	19,249.2	—	19,249.2
Commissions from concessionaire sales	—	110.4	110.4	—	110.4
	9,835.7	9,523.9	19,359.6	—	19,359.6
Results of reportable segments	1,899.7	1,001.4	2,901.1	—	2,901.1

Reconciliation of results of reportable segments to profit for the period

Results of reportable segments	2,901.1
Amortization of intangible assets	(46.2)
Unallocated income	22.3
Unallocated expenses	(37.5)
Operating profit	2,839.7
Finance income	228.1
Finance costs	(94.2)
Share of results of associates and a joint venture	22.6
Profit before income tax	2,996.2
Income tax expense	(832.8)
Profit for the period	2,163.4

	Shoes and Footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
Other segment information					
Depreciation on property, plant and equipment	299.1	140.2	439.3	18.4	457.7
Amortization of land use rights	3.2	2.8	6.0	8.0	14.0
Depreciation on investment properties	—	—	—	4.1	4.1
Amortization of intangible assets	27.1	19.1	46.2	—	46.2
Loss on disposal of property, plant and equipment and land use rights	0.4	0.5	0.9	—	0.9
Write-off of property, plant and equipment	9.9	2.9	12.8	—	12.8
Impairment losses of inventories	0.3	7.8	8.1	—	8.1
Employee share-based compensation expense	42.2	34.5	76.7	—	76.7
Additions to non-current assets	236.8	149.7	386.5	131.7	518.2

	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	As at 31 August 2016				
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	**12,572.7**	**7,973.5**	**20,546.2**	**—**	**20,546.2**
Intangible assets	**1,142.1**	**1,400.1**	**2,542.2**	**—**	**2,542.2**
Inter-segment balances elimination	**(2,387.7)**	**—**	**(2,387.7)**	**—**	**(2,387.7)**
	11,327.1	**9,373.6**	**20,700.7**	**—**	**20,700.7**
Investment properties	**—**	**—**	**—**	**239.4**	**239.4**
Term deposits with initial terms of over three months	**—**	**—**	**—**	**3,461.7**	**3,461.7**
Structured bank deposits	**—**	**—**	**—**	**1,570.7**	**1,570.7**
Deferred income tax assets	**—**	**—**	**—**	**488.1**	**488.1**
Interests in associates and a joint venture	**—**	**—**	**—**	**1,049.7**	**1,049.7**
Available-for-sale financial assets	**—**	**—**	**—**	**181.4**	**181.4**
Other corporate assets	**—**	**—**	**—**	**3,797.7**	**3,797.7**
Total assets per condensed consolidated balance sheet	**11,327.1**	**9,373.6**	**20,700.7**	**10,788.7**	**31,489.4**
Segment liabilities	**1,942.3**	**4,019.9**	**5,962.2**	**—**	**5,962.2**
Inter-segment balances elimination	**—**	**(2,387.7)**	**(2,387.7)**	**—**	**(2,387.7)**
	1,942.3	**1,632.2**	**3,574.5**	**—**	**3,574.5**
Current income tax liabilities	**—**	**—**	**—**	**1,105.1**	**1,105.1**
Deferred income tax liabilities	**—**	**—**	**—**	**114.9**	**114.9**
Other corporate liabilities	**—**	**—**	**—**	**68.6**	**68.6**
Total liabilities per condensed consolidated balance sheet	**1,942.3**	**1,632.2**	**3,574.5**	**1,288.6**	**4,863.1**

	As at 29 February 2016				
	Shoes and footwear products	Sportswear and apparel products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	12,338.1	7,448.5	19,786.6	—	19,786.6
Intangible assets	1,160.0	1,422.8	2,582.8	—	2,582.8
Inter-segment balances elimination	(1,428.3)	—	(1,428.3)	—	(1,428.3)
	12,069.8	8,871.3	20,941.1	—	20,941.1
Investment properties	—	—	—	241.6	241.6
Term deposits with initial terms of over three months	—	—	—	23.0	23.0
Structured bank deposits	—	—	—	4,629.8	4,629.8
Deferred income tax assets	—	—	—	457.7	457.7
Interests in associates and a joint venture	—	—	—	946.2	946.2
Other corporate assets	—	—	—	3,815.4	3,815.4
Total assets per condensed consolidated balance sheet	12,069.8	8,871.3	20,941.1	10,113.7	31,054.8
Segment liabilities	1,867.6	2,627.7	4,495.3	—	4,495.3
Inter-segment balances elimination	—	(1,428.3)	(1,428.3)	—	(1,428.3)
	1,867.6	1,199.4	3,067.0	—	3,067.0
Short-term borrowings	—	—	—	860.6	860.6
Current income tax liabilities	—	—	—	1,665.9	1,665.9
Deferred income tax liabilities	—	—	—	122.5	122.5
Other corporate liabilities	—	—	—	52.8	52.8
Total liabilities per condensed consolidated balance sheet	1,867.6	1,199.4	3,067.0	2,701.8	5,768.8

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	
	2016	2015
	RMB million	*RMB million*
Revenue		
The PRC	**18,996.9**	18,733.6
Hong Kong and Macau	**424.6**	486.3
Other locations	**104.5**	139.7
	19,526.0	19,359.6

An analysis of the Group's non-current assets (other than available-for-sale financial assets and deferred income tax assets) 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 2016				
Non-current assets				
Property, plant and equipment	**4,245.6**	**304.6**	**—**	**4,550.2**
Land use rights	**1,510.1**	**—**	**—**	**1,510.1**
Investment properties	**192.5**	**46.9**	**—**	**239.4**
Intangible assets	**2,542.2**	**—**	**—**	**2,542.2**
Interests in associates and a joint venture	**116.0**	**—**	**933.7**	**1,049.7**
Long-term deposits, prepayments and other assets	**395.8**	**52.5**	**37.9**	**486.2**
As at 29 February 2016				
Non-current assets				
Property, plant and equipment	4,253.3	308.0	—	4,561.3
Land use rights	1,525.3	—	—	1,525.3
Investment properties	195.0	46.6	—	241.6
Intangible assets	2,582.8	—	—	2,582.8
Interests in associates and a joint venture	117.8	—	828.4	946.2
Long-term deposits, prepayments and other assets	315.9	44.3	33.2	393.4

4 OTHER INCOME

	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Rental income	**14.9**	22.3
Government incentives *(note)*	**229.3**	171.0
	244.2	193.3

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

5 OPERATING PROFIT

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

	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Cost of inventories recognized as expenses included in cost of sales	**8,989.1**	8,373.3
Depreciation on property, plant and equipment	**489.6**	457.7
Amortization of land use rights	**14.2**	14.0
Depreciation on investment properties	**3.3**	4.1
Amortization of intangible assets	**40.6**	46.2
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**3,775.1**	3,727.3
Staff costs (including directors' emoluments)	**3,374.8**	3,367.9
(Gain)/loss on disposal of property, plant and equipment and land use rights	**(6.6)**	0.9
Write-off of property, plant and equipment	**5.0**	12.8
Impairment losses of inventories	**9.1**	8.1

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

6 FINANCE INCOME, NET

	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Interest income from bank deposits	**29.1**	21.4
Interest income from structured bank deposits	**64.6**	206.7
Net foreign exchange gains	**68.0**	—
Finance income	**161.7**	228.1
Interest expense on short-term bank borrowings	**(0.1)**	(28.4)
Net foreign exchange losses	**—**	(65.8)
Finance costs	**(0.1)**	(94.2)
Finance income, net	**161.6**	133.9

7 INCOME TAX EXPENSE

	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Current income tax		
– PRC corporate income tax	**725.3**	854.1
– Hong Kong profits tax	**5.7**	2.1
– Macau income tax	**0.3**	1.6
Under/(over)-provision in prior years		
– PRC corporate income tax	**12.3**	(7.8)
– Hong Kong profits tax	**2.0**	0.7
Deferred income tax	**(38.0)**	(17.9)
	707.6	832.8

8 EARNINGS PER SHARE

Basic

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

		Six months ended 31 August	
		2016	2015
Profit for the period attributable to equity holders of the Company	*RMB million*	**1,732.6**	2,158.1
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of shares*	**8,181,233**	8,181,233
Basic earnings per share	*RMB cents*	**21.18**	26.38

Diluted

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

		Six months ended 31 August	
		2016	2015
Profit for the period attributable to equity holders of the Company	*RMB million*	**1,732.6**	2,158.1
Weighted average number of ordinary shares for the purpose of basic earnings per share	*thousand of shares*	**8,181,233**	8,181,233
Adjustment for awarded shares granted	*thousand of shares*	**253,000**	253,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	*thousand of shares*	**8,434,233**	8,434,233
Diluted earnings per share	*RMB cents*	**20.54**	25.59

9 DIVIDENDS

(a) At a meeting held on 24 October 2016, the directors declared an interim dividend of RMB12.0 cents per ordinary share (totaling RMB1,012.1 million) for the year ending 28 February 2017. The dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 28 February 2017.

(b) At a meeting held on 24 May 2016, the directors recommended a final dividend of RMB6.0 cents per ordinary share (totaling RMB506.1 million) for the year ended 29 February 2016, which was paid during the period and had been reflected as an appropriation of retained earnings for the six months ended 31 August 2016.

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

10 TRADE RECEIVABLES

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 31 August 2016, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
0 to 30 days	**3,273.1**	4,202.8
31 to 60 days	**65.0**	74.8
61 to 90 days	**23.0**	20.2
Over 90 days	**48.9**	29.1
	3,410.0	4,326.9

The carrying amounts of trade receivables approximate their fair values.

11 TRADE PAYABLES

The normal credit period granted by suppliers generally ranges from 0 to 60 days. As at 31 August 2016, the aging analysis of trade payables is as follows:

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
0 to 30 days	**1,329.1**	694.0
31 to 60 days	**146.5**	228.4
Over 60 days	**30.3**	34.5
	1,505.9	956.9

The carrying amounts of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

In contrast of the footwear business, the majority of the sportswear and apparel business is in the form of retail distribution, including first-tier sportswear brands Nike and Adidas, second-tier sportswear brands PUMA, Converse, etc. and apparel brands moussy, SLY, REPLAY, etc.

The following table sets out the distribution of company-managed retail outlets of the Group by region and by business segment in Mainland China as at 31 August 2016.

	Number of Company-managed Retail Outlets							
	Footwear			Sportswear and Apparel				
Region	**Company-owned brands**	**Distribution brands**	**Sub-total**	**First-tier brands**	**Second-tier brands**	**Apparel**	**Sub-total**	**Total**
Northern China	1,926	257	2,183	938	187	31	1,156	3,339
Eastern China	1,930	323	2,253	732	251	56	1,039	3,292
Southern China	2,055	164	2,219	757	189	32	978	3,197
Shandong and Henan	1,180	70	1,250	1,208	352	4	1,564	2,814
North-eastern China	1,100	94	1,194	693	75	7	775	1,969
North-western China	1,028	124	1,152	357	63	4	424	1,576
South-western China	982	87	1,069	390	50	19	459	1,528
Central China	923	123	1,046	404	97	8	509	1,555
Yunnan and Guizhou	540	17	557	241	66	5	312	869
Guangzhou	442	19	461	—	—	—	—	461
Total	12,106	1,278	13,384	5,720	1,330	166	7,216	20,600

Note: In addition, the Group operates 138 company-managed retail outlets in Hong Kong and Macau.

FINANCIAL REVIEW

During the six months ended 31 August 2016, the Group recorded revenue of RMB19,526.0 million, an increase of 0.9% compared with the same period of last year. The Group recorded operating profit of RMB2,278.2 million, a decrease of 19.8% compared with the same period of last year. The profit attributable to the Company's equity holders during the period under review amounted to RMB1,732.6 million, an decrease of 19.7% compared with the same period of last year.

REVENUE

The Group's revenue increased by 0.9%, from RMB19,359.6 million for the six months ended 31 August 2015 to RMB19,526.0 million for the six months ended 31 August 2016. Revenue of the footwear business decreased by 12.7%, from RMB9,835.7 million for the six months ended 31 August 2015 to RMB8,585.7 million for the six months ended 31 August 2016. It was mainly due to the decline in same store sales. Revenue of the sportswear and apparel business increased by 14.9%, from RMB9,523.9 million for the six months ended 31 August 2015 to RMB10,940.3 million for the six months ended 31 August 2016. The growth of the sportswear and apparel business was mainly due to same store sales growth and continued retail network expansion.

	Six months ended 31 August				
	2016		2015		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**7,551.7**	**38.7%**	8,761.7	45.3%	(13.8%)
Distribution brands	**929.5**	**4.8%**	934.3	4.8%	(0.5%)
International trade	**104.5**	**0.5%**	139.7	0.7%	(25.2%)
Sub-total	**8,585.7**	**44.0%**	9,835.7	50.8%	(12.7%)
Sportswear and apparel					
First-tier sportswear brands*	**9,426.9**	**48.2%**	8,309.6	42.9%	13.4%
Second-tier sportswear brands*	**1,066.0**	**5.5%**	879.9	4.6%	21.2%
Other sportswear and apparel business	**447.4**	**2.3%**	334.4	1.7%	33.8%
Sub-total	**10,940.3**	**56.0%**	9,523.9	49.2%	14.9%
Total	**19,526.0**	**100.0%**	19,359.6	100.0%	0.9%

Unit: RMB million

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

PROFITABILITY

The Group's operating profit decreased by 19.8% to RMB2,278.2 million for the six months ended 31 August 2016. The profit attributable to the Company's equity holders decreased by 19.7% to RMB1,732.6 million for the six months ended 31 August 2016.

	Six months ended 31 August					
	2016		2015		Growth rate	
	Footwear	**Sportswear and apparel**	Footwear	Sportswear and apparel	Footwear	Sportswear and apparel
Revenue	**8,585.7**	**10,940.3**	9,835.7	9,523.9	(12.7%)	14.9%
Cost of sales	**(2,820.9)**	**(6,179.2)**	(3,119.8)	(5,263.6)	(9.6%)	17.4%
Gross Profit	**5,764.8**	**4,761.1**	6,715.9	4,260.3	(14.2%)	11.8%
Gross profit margin	**67.1%**	**43.5%**	68.3%	44.7%		

Unit: RMB million

Cost of sales increased by 7.4% from RMB8,383.4 million for the six months ended 31 August 2015 to RMB9,000.1 million for the six months ended 31 August 2016. Gross profit in the Group's footwear segment decreased by 14.2% to RMB5,764.8 million for the six months ended 31 August 2016 from RMB6,715.9 million for the six months ended 31 August 2015. Gross profit in the sportswear and apparel segment increased by 11.8% to RMB4,761.1 million for the six months ended 31 August 2016 from RMB4,260.3 million for the six months ended 31 August 2015.

During the period under review, the gross profit margins of the footwear business and the sportswear and apparel business were 67.1% and 43.5% respectively. The gross profit margin of the footwear business decreased by 1.2 percentage points compared with that of the six months ended 31 August 2015. The reason was that although the gross profit margin of middle-end fashion brands was largely stable, the gross profit margin of mid-to-high-end fashion brands was down and the decline in gross profit margin of high-end casual brands was more significant. The gross profit margin of the sportswear and apparel business decreased by 1.2 percentage points compared with that of the six months ended 31 August 2015. The main reason was an abnormally high level of gross profit margin in the same period of last year due to tight inventory. With continued restocking during the past year the Group has observed gradual improvement to inventory levels. As such retail markdown was in a process of normalization.

Selling and distribution expenses for the six months ended 31 August 2016 amounted to RMB6,749.2 million (six months ended 31 August 2015: RMB6,615.7 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 34.6% (six months ended 31 August 2015: 34.2%). Selling and distribution expenses of the footwear business, as a percentage of revenue, were higher than the same period of last year. This was mainly because the decline of same store sales leads to wages and benefits, as a percentage of revenue, continued to increase. Selling and distribution expenses of the sportswear and apparel business, as a percentage of revenue, were slightly increased when compared with the same period of last year. Excluding the business mix factor in which the apparel business has higher operating expenses, the expenses of the sportswear business, as a percentage of revenue, were largely stable, indicating the current level of same store sales growth could mostly offset increases in relevant expenses.

General and administrative expenses for the six months ended 31 August 2016 amounted to RMB1,729.0 million (six months ended 31 August 2015: RMB1,701.2 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 8.9% (six months ended 31 August 2015: 8.8%) which was fairly stable compared with the same period of last year.

Interest income decreased from RMB228.1 million for the six months ended 31 August 2015 to RMB93.7 million for the six months ended 31 August 2016. It was mainly due to the decrease 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 RMB28.4 million for the six months ended 31 August 2015 to RMB0.1 million for the six months ended 31 August 2016. It was mainly due to the repayment of all borrowings at the beginning of the period and there was no new borrowing afterwards.

During the six months ended 31 August 2016, Renminbi depreciated against Hong Kong dollars and United States dollars, together with the fact that part of the Group's term deposits with initial terms over three months and bank balances and cash are denominated in Hong Kong dollars and United States dollars, the Group recorded net foreign exchange gains of RMB68.0 million (six months ended 31 August 2015: net foreign exchange losses of RMB65.8 million) as a result.

Income tax expense for the six months ended 31 August 2016 amounted to RMB707.6 million (six months ended 31 August 2015: RMB832.8 million). The effective income tax rate increased by 1.2 percentage points to 29.0% for the six months ended 31 August 2016 from 27.8% for the six months ended 31 August 2015. This was mainly because the Company's subsidiaries in Mainland China declared or distributed more dividends to foreign holding companies during the period under review, thus increasing relevant withholding taxes. The income tax rate for the footwear business and the sportswear and apparel business of the Group in Mainland China is approximately 25%. The income tax rate for the Hong Kong business is 16.5%.

OTHER INCOME

Other income for the six months ended 31 August 2016 amounted to RMB244.2 million (six months ended 31 August 2015: RMB193.3 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 and land use rights. During the six months ended 31 August 2016, the total capital expenditure was RMB574.8 million (six months ended 31 August 2015: RMB518.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 31 August 2016, the net working capital of the Group was RMB15,741.8 million, representing an increase of 6.7% compared with 29 February 2016. As at 31 August 2016, the Group's current ratio was 4.3 times (29 February 2016: 3.6 times) (Current ratio is calculated by using the following formula: Current Assets/Current Liabilities).

During the period under review, net cash generated from operations decreased by RMB723.3 million to RMB3,365.3 million for the six months ended 31 August 2016 from RMB4,088.6 million for the six months ended 31 August 2015.

Net cash used in investing activities for the six months ended 31 August 2016 was RMB671.6 million (six months ended 31 August 2015: RMB2,810.0 million). During the period under review, the Group invested RMB3,428.4 million on net deposit of term deposits with initial terms of over three months, RMB574.8 million on payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations) and land use rights and RMB111.7 million on loan to an associate, partly offset by net uplift of structured bank deposits of RMB3,244.0 million and interest received of RMB164.5 million.

During the period under review, net cash used in financing activities was RMB1,682.9 million (six months ended 31 August 2015: RMB440.1 million), mainly attributable to the repayment of borrowings of RMB861.3 million, payments of the 2015/16 final dividend of RMB506.1 million, acquisition of available-for-sale financial assets of RMB181.4 million and acquisition of equity interests of a subsidiary from non-controlling shareholders of RMB134.0 million by the Group during the period.

As at 31 August 2016, the Group held bank balances and cash, structured bank deposits and term deposits with initial terms of over three months totaling RMB7,629.4 million and had no borrowings. As at 29 February 2016, the Group held bank balances and cash, structured bank deposits and term deposits with initial terms of over three months totaling RMB7,781.5 million, after netting off the short-term borrowings of RMB860.6 million, it was in a net cash position of RMB6,920.9 million.

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

Coming into 2016 China's macroeconomic environment continued to show weakness. From January to June, GDP grew by 6.7% from the same period of last year and the average nominal disposable income of urban residents grew by 8.0% from the same period of last year. From January to August, the consumer price index was up by 2.0% from the same period of last year, while the aggregate retail value of social consumer goods increased by 10.3%. On the surface major economic indicators were only slightly down from the same period of last year. In the consumer retail market, however, weakness was much more pronounced.

According to the National Commercial Information Center of China, the top 100 retailers experienced a decline of 3.2% in merchandise sales in the first half of 2016, which was 3.8 percentage points lower from the same period of last year. Retail sales of apparel products declined by 3.3%, which was 7.0 percentage points lower from the same period of last year. Suffice it to say, in the current environment, with continued pressure from an economic downturn and uncertainty towards the future, consumer sentiment is extremely weak with no signs of recovery in the near term.

Over the past year, real estate prices in some tier-one and tier-two cities have been rising sharply, posing more challenges for consumer retail companies. The younger generation, a core customer group with higher levels of marginal propensity of consumption, will face a much higher cost of housing, which weakens their spending power on other categories. A higher level of societal anxiety resulting from wealth inequality likely will further impede willingness to consume. At the same time, operational expenses and the cost of human resources are also expected to rise accordingly.

REVIEW OF THE FOOTWEAR BUSINESS

In the first half of Financial Year 2016/17, the footwear business of the Group recorded a revenue decline of 12.7% compared with the same period of last year. The main driver was a double-digit decline in same store sales, mostly due to volume. The average selling price was down slightly.

In the first half of Financial Year 2016/17, the footwear retail network experienced a small contraction, with 378 net closures. The main reason was that the Group was more proactive in store clustering planning and more cautious in evaluating the channel environment. For certain less promising stores the Group chose to either relocate or close down. Such optimization process is expected to continue into the next year or two.

The gross profit margin of the footwear business was 1.2 percentage points lower than the same period of last year. For middle-end fashion brands the gross profit margin was largely stable. For mid-to-high-end fashion brands the gross profit margin was down. For high-end casual brands the decline in gross profit margin was more significant.

Expenses of the footwear business, as a percentage of revenue, were higher than the same period of last year. General and administrative expenses, as a percentage of revenue, were fairly stable compared with the same period of last year. Selling and distribution expenses, as a percentage of revenue, were significantly higher than the same period of last year. This was mainly because wages and benefits, as a percentage of revenue, continued to increase. In the near future, if same store sales were to continue to decline, a negative operating leverage will lead to higher expenses as a percentage of revenue.

In the first half of Financial Year 2016/17, the profit margin of segment results for the footwear business was 16.7%, lower than the same period of last year by 2.6 percentage points. In the near future, if same store sales were to remain sluggish or a recovery were slower than expected, there will be a risk of further erosion to the profit margin of segment results for the footwear business.

REVIEW OF THE SPORTSWEAR AND APPAREL BUSINESS

In the first half of Financial Year 2016/17, the sportswear and apparel business recorded revenue growth of 14.9%. One major driver was healthy same store sales growth at mid-single-digit. The same store sales growth was mostly due to volume. Average selling price was slightly up. Another driver was continued retail network expansion. As at 31 August 2016 there were 7,216 retail outlets, an increase of 10.6% from 6,524 retail outlets as at 31 August 2015.

In the first half of Financial Year 2016/17, there were 105 net additions to the network of sportswear and apparel retail outlets, an increase of 1.5% compared with 29 February 2016. For tier-one brands, where the current focus is on improvement to store efficiency, there were only 4 net additions. For tier-two brands, where the Group continues to develop niche markets and small brands, there were 84 net additions. The new apparel business continued to grow, with 17 net additions.

The gross profit margin of the sportswear and apparel business was 43.5%, 1.2 percentage points lower than the same period of last year. The main reason was an abnormally high level of gross profit margin in the same period of last year due to tight inventory. With continued restocking during the past year the Group has observed gradual improvement to inventory levels. As such retail markdown was in a process of normalization.

Various expenses, including selling and distribution expenses and general and administration expenses, as a percentage of revenue, were up by 0.9 percentage points from the same period of last year. Excluding the business mix factor in which the apparel business has higher operating expenses, the expenses of the sportswear business, as a percentage of revenue, were largely stable, indicating the current level of same store sales growth could mostly offset increases in relevant expenses.

The profit margin of segment results for the sportswear and apparel business was 8.4% in the first half of Financial Year 2016/17, lower than the same period of last year. As discussed above, the gross profit margin and profit margin of segment results were abnormally high in the same period of last year due to inventory shortage. With normalizing inventory, taking into account the overall conditions in the sportswear market, it is the Group's view that the sportswear and apparel business will be in a position to maintain a profit margin of segment results at high-single-digit level.

CHANGES IN THE GROUP'S BUSINESS MIX

In the first half of Financial Year 2016/17, the sportswear and apparel business recorded double-digit revenue growth, contrasting a double-digit revenue decline of the footwear business. As such the sportswear and apparel business contributed 56.0% of the revenue of the Group, up from 49.2% in the same period of last year, overtaking the footwear business for the very first time.

Due to significant differences in business model and profitability between the footwear segment and the sportswear and apparel segment, above mentioned changes in the business mix drove significant changes in the blended financial metrics of the Group. For example, in the first half of Financial Year 2016/17, the total revenue of the Group did not decline but operating profits declined significantly. Apart from blended profitability metrics, other metrics such as blended expense ratios and average inventory turnover days would also be affected by the change in business mix. The Group encourages shareholders and investors to refer to segment data while analyzing relevant business metrics.

It is in a way understandable that the sportswear and apparel business overtook the footwear business in terms of scale. Generally speaking, in a developed country, the athletic and casual styles dominate the footwear market, with limited market share for formal dress shoes. With the fast growth and continued sophistication of Chinese consumers, their demand most likely will be more visible in the sports and casual styles, driven by diverse lifestyles and unique aesthetics. The Group's past decision of entry into sportswear and apparel was based on the same view. As a long term strategy, the Group wishes to maintain active involvement in footwear, sportswear, fashion apparel, and accessories. With exposure to different market segments the Group not only aims to lower business risk but also strive to follow the trend and make the most of growth opportunities.

CHANGES IN INCOME TAX RATE

The Group's effective income tax rate was 29.0% for the first half of Financial Year 2016/17, 1.2 percentage points higher than the same period of last year. This was mainly because the Company's subsidiaries in Mainland China declared or distributed more dividends to foreign holding companies during the first half of Financial Year 2016/17, thus increasing relevant withholding taxes.

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

According to the current business structure and target dividend payout ratio, the normalized effective tax rate of the Group should be around a level at 27% to 29% in the near future.

INVENTORY TURNOVER

The average inventory turnover days of the Group were 149.2 days in the first half of Financial Year 2016/17, higher than the 146.7 days of the same period of last year.

The average inventory turnover days for the footwear business were 260.9 days, higher than the 247.9 days of the same period of last year. This was mainly due to the decline in same store sales, which negatively affected inventory turnover efficiency. Inventory balance as at 31 August 2016 was RMB4,098.1 million, a decrease of 8.4% from RMB4,473.4 million as at 31 August 2015.

For the sportswear and apparel business, the average inventory turnover days were 98.2 days, higher than the 86.7 days of the same period of last year. In the same period of last year, sportswear and apparel inventory was relatively low. After proactive restocking over the past year, the inventory level has been gradually normalizing.

The Group is taking proactive measures to address the inventory issue in the footwear business, focusing on off-price channels such as factory outlets and e-commerce platforms to speed up sales of off-season products. In the meantime, the Group is also actively making adjustments to pricing tactics and operational models to accelerate sales of new collections.

In the near future, the Group still expects to see a slightly high level of inventory in the footwear business and a slightly tight level of inventory in the sportswear and apparel business.

PROPOSED OFFERING BY BAROQUE JAPAN LIMITED

Recently Baroque Japan Limited ("Baroque") approved plans for a proposed offering and obtained the listing approval in principle from the Tokyo Stock Exchange, which is expected to be completed in November 2016. The Group wishes to participate in the proposed offering by selling at the offer price a part of the Group holding of existing shares, should such plans go through. The disposal was mainly due to certain listing rules requiring a minimum level of public ownership. It is neither an indication that the Group will cut back in the collaboration with Baroque, nor a signal of any plan to exit the apparel business.

As at 31 August 2016, the Group, through a wholly owned subsidiary, held 31.96% of the total issued share capital of Baroque. Should the proposed offering complete successfully, and assuming the over-allotment option is fully exercised, the Group will still hold approximately 18.6% of the total issued share capital of Baroque.

The main objective of the Group to invest in Baroque in the first place was to ensure alignment of interest and smooth communications at the beginning of the collaboration. In the 3 years since the set up of China joint ventures the Group was successful in building a team and improving the quality of operations. The cooperation with the Japan team has been fairly smooth. At the same time, with rapid growth and a much larger scale, the China business is increasingly more important to Baroque. There is already a very strong tie of business collaboration and interdependence.

The Baroque project, a pilot program for the Group to gain entry into the fashion apparel field, achieved much success since its inception 3 years ago. It was instrumental in the effort of the Group to acquire skills and cultivate talent in the new field of apparel. In the near term the Group will continue to actively develop the market for relevant brands. On the other hand the Group needs to be mindful of the challenge and pressure that the overall apparel sector is facing right now. The Group will stay focused on key areas including team building, boosting productivity, upgrading the supply chain, and improving collaboration in order to build a solid launch pad for long term growth in the new apparel business.

VISION AND OUTLOOK

The environment for the Group's footwear business is currently full of challenges. Changes in foot traffic across various retail channels as well as shifting style preferences of consumers are placing structural pressure on the fashion footwear business of the Group. Continued weakness in consumer sentiment also becomes a real constraint for the footwear business.

Facing such critical challenges the Group has to engage in a fundamental transformation for the footwear business in order to alleviate market pressure and win back consumers. Such a transformation is a time-consuming process and cannot be completed overnight. At the current stage the Group is focusing on the following areas.

First, the Group needs to redefine the Group's channel strategy, targeting omni-channel coordination. In the department store channel the Group plans to strengthen communications with the landlords and work on continued improvement to the marketing strategy and pricing strategy, in an effort to reestablish a value proposition that is attractive to consumers. In quality shopping malls the Group will continue to develop and expand. Based on specific market positioning of different shopping malls the Group will try out differentiated store formats and product assortments, while increasingly utilizing social media to enhance customer interaction and traffic routing. The Group will increase the allocation to off-price channels including factory outlets, city discount stores, and online. On the back of cross-channel reallocation the Group will enforce more stringent distinction between full-price and off-price stores to increase differentiation. For low productivity stores that do not fit into the Group's omni-channel strategy the Group will gradually optimize or close down.

Second, the Group needs to revamp the supply chain model to improve product quality and craftsmanship while lowering manufacturing cost. In the manufacturing process the Group will introduce more openness and market competition. While improving efficiency and competitiveness at company-owned facilities, the Group will be proactively utilizing external suppliers with high quality, low cost and a short fulfillment cycle. The Group plans to continuously make incremental improvements to the process of ordering, product launch and re-ordering. The objective is to reduce the need for passive replenishment orders and increase active product pushes and forecast-based re-ordering. With more visibility and forecastability the factories will be in a position to reduce cost and enhance quality based on better planning and better coordination.

Third, the Group needs to overhaul the Group's e-Commerce strategy and push forward with the O2O project. After years of high growth the B2C e-Commerce sector in China currently is entering a stage of slower growth with dominant platforms. Consumer behavior is also showing new signs of change. In the past e-Commerce was mostly driven by low price. Increasingly the Group is observing movement of new collections. The online market is moving more and more toward brand marketing and interactive marketing. In this new environment the Group decided to integrate the Group's once-separate e-Commerce team back into the brand teams, in an effort to utilize complementary skills and ensure a higher level of support and resource allocation. As part of the omni-channel planning for each brand the Group will increase resource allocation to the e-Commerce business with an objective to increase online sales as a percentage of brand sales. In the meantime the Group will actively push forward with the O2O project that is based on brick-and-mortar stores. Physical stores have an advantage in member recruitment and on-site experience. Combined with mobile internet tools the Group will be in a position to provide more merchandise choice and customized services to achieve the goal of two-way traffic routing and interaction between online and offline.

The areas discussed above are the more important and pressing matters in the Group's view. It will take time to see whether the changes can bear fruits. The Group will need to make constant adjustments in practice. In a broader sense it is the Group's view that digital reinvention will be a major theme and direction in the Group's future transformation. Fast advancement in technology is fundamentally changing traditional business models, shattering industries and disintegrating value chains. In order to survive and grow in this disruptive and competitive environment the Group has no choice but to engage in a digital reinvention and transformation, including the following major areas.

First, a digital transformation that is very much focused on customers. In the traditional business model the Group's knowledge of customers was very limited, without much detail and hard to quantify. Technological advancement has made it possible to know your customers up close and as individuals. For example, it is possible to use optical scanning to measure the size and profile of customers' feet and quantify individual characteristics. CRM software based on VIP loyalty programs has the capability to study specific customers for their preference, behavior and demand, enabling customized marketing with higher precision. In the past retailers mostly compete on the back end, focusing on optimizing the supply chain and speeding up replenishment. In the future with technological advancement, especially with big data, retailers will increasingly compete on the front end. The Group wishes to utilize data technology to better understand each and every of the Group's customers, to rethink and redefine the Group's relationship with customers from such angles as demand, need, and expectations, in an effort to create a unique experience that is attractive to customers.

Second, a digital transformation of the manufacturing process. As a non-standardized industry the manufacturing process of footwear has always been very traditional and labour intensive. With rising labour cost, and more importantly with customers increasingly playing a central role in the relationship with manufacturers, footwear manufacturing has to transform itself toward the future direction of smart manufacturing. It is difficult to achieve full automation and smart production in a non-standardized field. It will not happen in the short term. But the Group needs to prepare for such a direction by working on the basics including the digital transformation of products, research and development, and the manufacturing process. With products the Group needs to standardize and digitize footwear lasts to enable us to define products with more parameters, potentially supporting a better match between product and customer demand. With the internet of things technology the Group will be able to achieve life cycle tracking and automatic identification of finished products. In the manufacturing process the Group is in a position to achieve limited automation in laser cutting and machine polishing, with the help of programmable equipments. In research and development the Group is better positioned to utilize 3D CAD and 3D printing to enhance efficiencies and achieve seamless digital connection with the production line.

Third, a digital transformation of business operations. Traditionally the Group's business operations were mostly carried out by front line managers based on individual experience and analysis, without consistent and holistic decision models. With a much bigger scale and continued staff turnover the Group now faces an urgent need to identify and retain experience and skills in a digital way. With the completion of the Group's new generation retail information system, there was great improvement to data quality and granularity, enabling us to work on various digital decision models. The Group plans to set up focus groups to interview experienced front line managers, analyze their decision process, and experiment with different approaches. Digital decision models in store merchandising and replenishment forecasting as well as decision tools in merchandise redeployment and pricing change will help front line managers improve efficiencies by eliminating routine decisions and focusing their energy on creative and high-value areas.

The Group regrets to say that on the matter of business transformation the Group has been slow and passive. The discussions above are only basic understandings, which need to be modified and substantiated in practice. In the next 3 to 5 years the Group will actively push forward with a business transformation centered on digital reinvention. The objective is to reinvent ourselves with core competencies of agility, efficiency, creativity, and collaboration, to strengthen the Group's leading position in the industry.

PLEDGE OF ASSETS

As at 31 August 2016, no assets were pledged as security for banking facilities available to the Group (29 February 2016: structured bank deposits of RMB524.0 million were pledged for other short-term borrowings of the same amount).

CONTINGENT LIABILITIES

As at 31 August 2016, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 August 2016, the Group had a total of 116,810 employees (29 February 2016: 119,061 employees). During the six months ended 31 August 2016, total staff cost was RMB3,374.8 million (six months ended 31 August 2015: RMB3,367.9 million), accounting for 17.3% (six months ended 31 August 2015: 17.4%) 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 awarded shares may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

GENERAL INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB12.0 cents (2015/16 interim dividend: RMB16.0 cents) per ordinary share, totaling RMB1,012.1 million (2015/16 interim dividend: totaling RMB1,349.5 million) for the six months ended 31 August 2016. The interim dividend will be paid on or about Tuesday, 6 December 2016 to members whose names appear on the register of members of the Company on Thursday, 10 November 2016.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK$1.1327) as quoted by the Hong Kong Association of Banks on Monday, 24 October 2016, being the date on which the interim dividend is declared by the Board. Accordingly, the amount of the interim dividend is HK13.59 cents per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

The interim dividend will be paid on or about Tuesday, 6 December 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 10 November 2016. The register of members of the Company will be closed from Tuesday, 8 November 2016 to Thursday, 10 November 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim 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 Monday, 7 November 2016.

CORPORATE GOVERNANCE

The Company had complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the six months ended 31 August 2016, except for the deviation from code provision A.6.7 (attendance of Non-executive Directors in general meetings) of the CG Code. Mr. Tang Yiu (Non-executive Director), Ms. Hu Xiaoling (Non-executive Director), Mr. Chan Yu Ling, Abraham (Independent Non-executive Director), Dr. Xue Qiuzhi (Independent Non-executive Director) and Mr. Gao Yu (Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on 26 July 2016 due to other personal commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

The Audit Committee comprises four Independent Non-executive Directors, 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 2016.

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee include (but without limitation) making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent 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 awarded shares to eligible persons pursuant to the share option scheme and share award scheme upon authorization by the Board.

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

NOMINATION COMMITTEE

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

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

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 31 August 2016, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 24 October 2016

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

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