Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1880)

2016/17 Interim Report

CONTENTS


ON ME

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
Mr. Yu Wu

Non-executive Directors

Mr. Tang Wai Lam
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
Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

9/F Belle Tower
918 Cheung Sha Wan Road
Cheung Sha Wan
Hong Kong

Stock Code

1880

Website

www.belleintl.com

Legal Advisor

Cleary Gottlieb Steen &
Hamilton (Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

Auditor

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

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
Average trade receivables turnover period	days	**36.5**	39.4
Average trade payables turnover period	days	**25.2**	26.0
Average inventory turnover period	days	**149.2**	146.7

		Unaudited As at 31 August 2016	Audited As at 29 February 2016
Gearing ratio	%	**—**	2.8
Current ratio	times	**4.3**	3.6

STATEMENT FROM CHAIRMAN

Dear Shareholders,

Coming into 2016 China's economic growth continued to slow down. The consumer retail market in general remained sluggish. With perhaps one exception of the sporting goods segment, most fashion apparel, footwear and accessory brands are feeling the pain at both the top line and the bottom line.

On the back of real growth in consumer demand for sports and fitness, the sportswear and apparel business of the Group maintained healthy growth. The footwear business, on the other hand, continued to experience a decline in same store sales and in profitability due to weakening foot traffic and changing consumer preferences.

For the six months ended 31 August 2016 (the "first half of Financial Year 2016/17") the footwear business recorded a revenue decline of 12.7% while the sportswear and apparel business recorded a revenue increase of 14.9% compared with the same period of last year. Overall revenue of the Group increased by 0.9%. Operating profit declined by 19.8%. Profit attributable to equity holders of the Company declined by 19.7%.

The network of retail outlets of the Group was mostly stable. During the first half of Financial Year 2016/17, there was a net decrease of 378 company-managed retail outlets in the footwear business in Mainland China, while in the sportswear and apparel business there were 105 net additions. As at 31 August 2016, the total number of company-managed retail outlets of the Group was 20,738, of which 20,600 were in Mainland China, 138 in Hong Kong and Macau.

After 20 years of high growth the retail sector in China has been seeing a slowdown in growth over the past few years. Intense competition and low growth, present in many developed markets, are expected to become the norm in China as well. The traditional footwear business of the Group currently is in a very difficult situation with enormous challenges to change and transform. Over the course of more than 20 years in our history, there were critical moments of crisis as well, requiring us to make major changes and transformations. The process was always difficult. But end of the day we were able to complete the transformation successfully and build a solid foundation to support subsequent growth. Compared with past crises and past transformations, we are disadvantaged now because of a much larger scale. But we also have much stronger financial resources and human resources, which will ensure a much higher level of capability to invest and to withstand risk. In light of the sense of responsibility and mission of the core management team, as well as their ability to learn and execute, I am personally confident that the current transformation will be successful.

I have been in the footwear business for decades, always looking at products and market from a craftsman's perspective. There is an old saying that everybody has an eye for beautiful things. Fashion footwear and casual footwear not only meet a basic need for human beings but also satisfy their inherent need for aesthetics. Style preferences do change from time to time. But the basic needs will not vanish. What we need to do right now, in this brand new technological environment, is to find a better way to communicate and interact with our customers. We need to restructure the manufacturing process around customer demand to improve quality and craftsmanship. In a nutshell, we need to make better shoes.

Tang Yiu
Chairman

24 October 2016

STATEMENT FROM CEO

Dear Shareholders,

On behalf of the board of directors of the Company (the "Board"), I hereby report the results for the six months ended 31 August 2016 (the "first half of Financial Year 2016/17") as follows:

RESULTS FOR THE FIRST HALF OF FINANCIAL YEAR 2016/17

The Group's revenue increased by 0.9% compared with the same period of last year to RMB19,526.0 million in the first half of Financial Year 2016/17. Revenue of the footwear business declined by 12.7% compared with the same period of last year, to RMB8,585.7 million. Revenue of the sportswear and apparel business increased by 14.9% compared with the same period of last year, to RMB10,940.3 million. The footwear business contributed 44.0% of the revenue of the Group, significantly lower than the 50.8% level in the same period of last year.

The Group's operating profit was RMB2,278.2 million, lower by 19.8% than the same period of last year. Operating profit margin was 11.7%, a decrease of 3.0 percentage points from the same period of last year. The decrease of operating profit was mainly due to lower profit margin of segment results for both the footwear and the sportswear and apparel businesses and higher contribution to Group's revenue from the sportswear and apparel business which has a lower profit margin of segment results.

Profit attributable to the equity holders of the Company amounted to RMB1,732.6 million, a decrease of 19.7% from the same period of last year. Basic earnings per share amounted to RMB21.18 cents, a decrease of 19.7% from the RMB26.38 cents of the same period of last year. Diluted earnings per share amounted to RMB20.54 cents, a decrease of 19.7% from the RMB25.59 cents of the same period of last year.

The Board has resolved to declare an interim dividend of RMB12.0 cents (Financial Year 2015/16: RMB16.0 cents) per ordinary share for the Financial Year 2016/17.

SUMMARY OF THE BUSINESS 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, Joy & Peace, Millie's, SKAP, :15MINS, Jipi Japa, Mirabell etc. Distribution brands mainly include Bata, Clarks, Hush Puppies, Mephisto, Caterpillar, etc.

For company-owned brands, the Group mainly adopts a vertically integrated business model which covers product research and development, procurement, manufacturing, distribution and retailing. For distribution brands, the Group operates the business mainly in two different models, brand licensing and retail distribution.

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				
	2016		2015		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**7,551.7**	**88.0%**	8,761.7	89.1%	(13.8%)
Distribution brands	**929.5**	**10.8%**	934.3	9.5%	(0.5%)
Sub-total	**8,481.2**	**98.8%**	9,696.0	98.6%	(12.5%)
International trade	**104.5**	**1.2%**	139.7	1.4%	(25.2%)
Total	**8,585.7**	**100.0%**	9,835.7	100.0%	(12.7%)

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, second-tier sportswear brands PUMA, Converse, etc. and apparel brands moussy, SLY, REPLAY, etc.

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				
	2016		2015		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands	**9,426.9**	**86.2%**	8,309.6	87.3%	13.4%
Second-tier sportswear brands	**1,066.0**	**9.7%**	879.9	9.2%	21.2%
Other sportswear and apparel business	**447.4**	**4.1%**	334.4	3.5%	33.8%
Total	**10,940.3**	**100.0%**	9,523.9	100.0%	14.9%

Unit: RMB million

STATEMENT FROM CEO

Company-managed retail outlets

The following map shows the geographical distribution of company-managed retail outlets of the Group in Mainland China as at 31 August 2016.

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
Central China	923	123	1,046	404	97	8	509	1,555
South-western China	982	87	1,069	390	50	19	459	1,528
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.

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS

Impact of the macro environment on the Group's business

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, the growth trend was 3.8 percentage points lower from the same period of last year. Retail sales of apparel products declined by 3.3%, the growth trend 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 to footwear retail outlets in Mainland China. 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 we 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 we continue 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 we have observed gradual improvement to inventory levels. As such retail markdown was in a process of normalization.

STATEMENT FROM CEO

Various expenses of sportswear and apparel business, 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 new 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 our 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 profit declined significantly. Apart from blended profitability metrics, other metrics such as ratios of blended expense to revenue and average inventory turnover days would also be affected by the change in business mix. We encourage 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 we not only aim to lower business risk but also strive to follow the trend and make the most of growth opportunities.

STATEMENT FROM CEO

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, inventory in the sportswear and apparel business 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, we are also actively making adjustments to pricing tactics and operational models to accelerate sales of new collections.

In the near future, we still expect 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 our 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 we were 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 we will continue to actively develop the market for relevant brands. On the other hand we need to be mindful of the challenge and pressure that the overall apparel sector is facing right now. We 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 our 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 we are focusing on and resolving the following areas.

First, we need to redefine our channel strategy, targeting omni-channel coordination. In the department store channel we plan 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 we will continue to develop and expand. Based on specific market positioning of different shopping malls we will try out differentiated store formats and product assortments, while increasingly utilizing social media to enhance customer interaction and traffic routing. We will increase the allocation to off-price channels including factory outlets, city discount stores, and online. On the back of cross-channel reallocation we will enforce more stringent distinction between full-price and off-price stores to increase differentiation. For low productivity stores that do not fit into our omni-channel strategy we will gradually optimize or close down.

STATEMENT FROM CEO

Second, we need to revamp the supply chain model to improve product quality and craftsmanship while lowering manufacturing cost. In the manufacturing process we will introduce more openness and market competition. While improving efficiency and competitiveness at company-owned facilities, we will be proactively utilizing external suppliers with high quality, low cost and a short fulfillment cycle. We plan 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, we need to overhaul our 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 we are 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 our once-separated 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 we 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 we 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 we 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 our view. It will take time to see whether the changes can bear fruits. We will need to make constant adjustments in practice. In a broader sense it is our view that digital reinvention will be a major theme and direction in our 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 we have 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 our 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. We wish to utilize data technology to better understand each and every of our customers, to rethink and redefine our 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 towards 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 we need 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 we need 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 we will be able to achieve life cycle tracking and automatic identification of finished products. In the manufacturing process we are in a position to achieve limited automation in laser cutting and machine polishing, with the help of programmable equipments. In research and development we are 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 our 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 we now face an urgent need to identify and retain experience and skills in a digital way. With the completion of our new generation retail information system, there was great improvement to data quality and granularity, enabling us to work on various digital decision models. We plan 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.

I regret 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 we 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 our leading position in the industry.

I would like to express sincere gratitude to all shareholders for being empathetic and supportive.

Sheng Baijiao
CEO and Executive Director

24 October 2016

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, a 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.*

MANAGEMENT DISCUSSION AND ANALYSIS

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 the same period of last year. 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 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 we have observed gradual improvement to inventory levels. As such retail markdown was in a process of normalization.

MANAGEMENT DISCUSSION AND ANALYSIS

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 new 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 by the Group 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.

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.

INTERIM DIVIDEND

The board of directors of the Company (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.

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 26 to 52, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2016 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, 24 October 2016

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

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	4	**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	5	**244.2**	193.3
Other expenses		**(13.7)**	(12.9)
Operating profit	6	**2,278.2**	2,839.7
Finance income		**161.7**	228.1
Finance costs		**(0.1)**	(94.2)
Finance income, net	7	**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	8	**(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	9	***RMB cents***	*RMB cents*
– basic		**21.18**	26.38
– diluted		**20.54**	25.59

The notes on pages 32 to 52 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 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

The notes on pages 32 to 52 are an integral part of this condensed consolidated interim financial information.

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	11	**4,550.2**	4,561.3
Land use rights	11	**1,510.1**	1,525.3
Investment properties	11	**239.4**	241.6
Intangible assets	11	**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	12	**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	14	**3,410.0**	4,326.9
Deposits, prepayments and other receivables	12	**1,682.1**	1,360.7
Structured bank deposits	13	**1,570.7**	4,629.8
Term deposits with initial terms of over three months	13	**3,461.7**	23.0
Bank balances and cash	13	**2,597.0**	3,128.7
		20,442.1	20,346.5
Total assets		**31,489.4**	31,054.8

The notes on pages 32 to 52 are an integral part of this condensed consolidated interim financial information.

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*
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		**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	15	**1,505.9**	956.9
Other payables, accruals and other liabilities		**2,089.3**	2,112.0
Short-term borrowings	16	**—**	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

The notes on pages 32 to 52 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 2016

	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 2016												
As at 1 March 2016	**83.1**	**9,214.1**	**(1,716.1)**	**306.6**	**3.5**	**1,331.8**	**0.1**	**(172.0)**	**16,025.0**	**25,076.1**	**209.9**	**25,286.0**
Comprehensive income:												
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,732.6**	**1,732.6**	**1.2**	**1,733.8**
Other comprehensive income:												
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.9**	**–**	**169.9**	**–**	**169.9**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**169.9**	**1,732.6**	**1,902.5**	**1.2**	**1,903.7**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(506.1)**	**(506.1)**	**–**	**(506.1)**
Employee share award scheme – value of employee services	**–**	**–**	**–**	**76.7**	**–**	**–**	**–**	**–**	**–**	**76.7**	**–**	**76.7**
Acquisition of equity interests of a subsidiary from non-controlling shareholders *(note)*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58.4)**	**(58.4)**	**(75.6)**	**(134.0)**
Transfer to reserves	**–**	**–**	**–**	**–**	**–**	**19.5**	**–**	**–**	**(19.5)**	**–**	**–**	**–**
	–	**–**	**–**	**76.7**	**–**	**19.5**	**–**	**–**	**(584.0)**	**(487.8)**	**(75.6)**	**(563.4)**
As at 31 August 2016	**83.1**	**9,214.1**	**(1,716.1)**	**383.3**	**3.5**	**1,351.3**	**0.1**	**(2.1)**	**17,173.6**	**26,490.8**	**135.5**	**26,626.3**
For the six months ended 31 August 2015												
As at 1 March 2015	83.1	9,214.1	(1,716.1)	153.3	3.5	1,209.0	0.1	(189.5)	16,165.7	24,923.2	198.9	25,122.1
Comprehensive income:												
Profit for the period	–	–	–	–	–	–	–	–	2,158.1	2,158.1	5.3	2,163.4
Other comprehensive loss:												
Exchange differences	–	–	–	–	–	–	–	(55.8)	–	(55.8)	–	(55.8)
Total comprehensive (loss)/income for the period	–	–	–	–	–	–	–	(55.8)	2,158.1	2,102.3	5.3	2,107.6
Dividends	–	–	–	–	–	–	–	–	(1,602.5)	(1,602.5)	–	(1,602.5)
Employee share award scheme – value of employee services	–	–	–	76.7	–	–	–	–	–	76.7	–	76.7
Transfer to reserves	–	–	–	–	–	85.0	–	–	(85.0)	–	–	–
	–	–	–	76.7	–	85.0	–	–	(1,687.5)	(1,525.8)	–	(1,525.8)
As at 31 August 2015	83.1	9,214.1	(1,716.1)	230.0	3.5	1,294.0	0.1	(245.3)	16,636.3	25,499.7	204.2	25,703.9

Note: During the six months ended 31 August 2016, the Group acquired 22.5% equity interests of a subsidiary from non-controlling shareholders at a total consideration of RMB134.0 million, the difference of which against the carrying amount of non-controlling interests as of the date of acquisition is recorded in equity.

The notes on pages 32 to 52 are an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2016

	Note	Unaudited Six months ended 31 August **2016** ***RMB million***	2015 *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	13(d)	**2,947.0**	2,616.3

The notes on pages 32 to 52 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 2016 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 24 October 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This 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 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 year ended 29 February 2016.

The accounting policies used in the preparation of this 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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(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 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

This 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 financial statements as at 29 February 2016.

There have been no changes in the risk management policies since 29 February 2016.

(b) Fair value estimation

As at 29 February 2016, the Group did not have any significant financial assets or financial liabilities in the balance sheet which are measured at fair value.

As at 31 August 2016, financial instruments of the Group carried at fair value are measured at different levels as defined below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 August 2016, the fair value measurement of the Group's available-for-sale financial assets is classified within level 3.

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 and impairment 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 investment properties, available-for-sale financial assets, interests in associates and a joint venture, deferred income tax assets, structured bank deposits, term deposits with initial terms of over three months and other corporate assets (including certain corporate property, plant and equipment, and bank balances and cash), 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 2016				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	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

4 SEGMENT INFORMATION (continued)

	Six months ended 31 August 2015				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	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
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

4 SEGMENT INFORMATION (continued)

	As at 31 August 2016				
	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	**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**

4 SEGMENT INFORMATION (continued)

	As at 29 February 2016				
	Shoes and footwear products *RMB million*	Sportswear and apparel products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
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

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	
	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

5 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.

6 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.

7 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

8 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

During the period, substantially all of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 2015: 25%) except that certain subsidiaries are subject to a preferential tax rate of 15% (six months ended 31 August 2015: 15%). Hong Kong profits tax and Macau income tax have been provided for at the rate of 16.5% (six months ended 31 August 2015: 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	
		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 (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	
		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

10 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.

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 *RMB million* *(note)*	Total intangible assets *RMB million*	Total *RMB million*
Net book value as at 1 March 2016	**4,561.3**	**1,525.3**	**241.6**	**1,802.8**	**780.0**	**2,582.8**	**8,911.0**
Additions	**501.0**	**2.6**	**—**	**—**	**—**	**—**	**503.6**
Depreciation/amortization	**(489.6)**	**(14.2)**	**(3.3)**	**—**	**(40.6)**	**(40.6)**	**(547.7)**
Disposals/write-off	**(29.6)**	**(3.6)**	**—**	**—**	**—**	**—**	**(33.2)**
Exchange differences	**7.1**	**—**	**1.1**	**—**	**—**	**—**	**8.2**
Net book value as at 31 August 2016	**4,550.2**	**1,510.1**	**239.4**	**1,802.8**	**739.4**	**2,542.2**	**8,841.9**
Net book value as at 1 March 2015	4,141.5	1,557.8	317.1	2,930.2	882.0	3,812.2	9,828.6
Additions	510.1	0.1	—	—	9.0	9.0	519.2
Depreciation/amortization	(457.7)	(14.0)	(4.1)	—	(46.2)	(46.2)	(522.0)
Disposals/write-off	(23.8)	(1.4)	—	—	—	—	(25.2)
Exchange differences	6.5	—	1.1	—	—	—	7.6
Net book value as at 31 August 2015	4,176.6	1,542.5	314.1	2,930.2	844.8	3,775.0	9,808.2

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

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
Non-current		
Rental deposits and prepayments	**241.5**	224.4
Prepayments for capital expenditures	**206.3**	135.1
Others	**38.4**	33.9
	486.2	393.4
Current		
Rental deposits and prepayments	**876.7**	818.9
Value-added tax recoverables	**224.4**	142.8
Other receivables	**158.7**	124.9
Other prepayments	**185.5**	179.0
Advance to a joint venture *(Note 20)*	**125.1**	95.1
Loan to an associate *(Note 20)*	**111.7**	—
	1,682.1	1,360.7

The carrying amounts of deposits and 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

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 2016, none of the Group's structured bank deposits were pledged (29 February 2016: RMB524.0 million of structured bank deposits were pledged for other short-term borrowings of the same amount) (Note 16).

As at 31 August 2016, 100% (29 February 2016: 84%) of the Group's structured bank deposits will mature within 6 months, of which RMB350.0 million (29 February 2016: RMB84.0 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 2016 was 4.15% (29 February 2016: 5.05%) 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)

(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 2016 was 1.45% (29 February 2016: 2.12%) per annum. These balances are denominated in the following currencies:

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
RMB	**115.6**	23.0
Hong Kong dollars ("HK$")	**1,642.8**	—
United States dollars ("US$")	**1,703.3**	—
	3,461.7	23.0

(c) Bank balances and cash

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
Bank balances and cash	**2,259.4**	2,617.6
Term deposits with initial terms of less than three months	**337.6**	511.1
	2,597.0	3,128.7
Denominated in:		
RMB	**1,572.6**	1,641.5
HK$	**530.9**	1,452.5
Other currencies	**493.5**	34.7
	2,597.0	3,128.7

As at 31 August 2016, the weighted average effective interest rate of the Group's term deposits with initial terms of less than three months was 1.59% (29 February 2016: 0.75%) per annum.

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

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise:

	As at 31 August 2016	As at 29 February 2016
	RMB million	*RMB million*
Bank balances and cash	**2,597.0**	3,128.7
Structured bank deposits	**350.0**	84.0
	2,947.0	3,212.7

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

	As at 31 August 2016	As at 29 February 2016
	RMB million	*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.

15 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.

16 SHORT-TERM BORROWINGS

As at 29 February 2016, the Group's short-term borrowings comprised short-term bank borrowings and other short-term borrowings of RMB336.6 million and RMB524.0 million, which were denominated in HK$ and RMB, respectively.

As at 29 February 2016, the Group's short-term bank borrowings were unsecured and carrying interest at floating rates with weighted average effective interest rate of 1.17% per annum. The carrying amount of the Group's short-term bank borrowings were denominated in HK$ and approximated their fair values.

As at 29 February 2016, the Group's other short-term borrowings were secured by certain structured bank deposits of RMB524.0 million (Note 13(a)).

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

Share capital

	Ordinary shares of HK$0.01 each *Number of shares*	**Nominal amount** *RMB million*
Authorized:		
As at 1 March 2015, 29 February 2016 and 31 August 2016	30,000,000,000	296.0
Issued and fully paid:		
As at 1 March 2015, 29 February 2016 and 31 August 2016	8,434,233,000	83.1

17 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR SHARE AWARD SCHEME (continued)

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 Company operates a share award scheme (the "Share Award Scheme") as detailed in Note 18 which is managed by a share scheme trustee, a structured entity (the "Share Scheme Trustee") established by the Company for the purpose of administrating and holding the Company's share acquired for the Share Award Scheme. According to the Share Award Scheme, which was approved by the Board of Directors on 26 May 2014 (the "Adoption Date"), the Board of Directors 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% (equivalent to 253,026,990 shares) of the issued share capital of the Company at the Adoption date.

As at 31 August 2016 and 29 February 2016, the Share Scheme Trustee withheld 252,999,832 ordinary shares of the Company acquired from the open market with funds provided by the Company by way of contributions, which does not exceed 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").

18 SHARE-BASED COMPENSATION (continued)

Share Option Scheme (continued)

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 (equivalent to 823,190,000 shares), 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 2016.

Share Award Scheme

The Share Award Scheme was adopted by the Board of Directors 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 Board may from time to time at its absolute discretion select any of those eligible participants for participation in the scheme (the "Selected Participants"). The maximum aggregate nominal value of awarded shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 0.1% of the issued share capital of the Company at the date of such award. The vesting period of the awarded shares shall be determined by the Board of Directors.

As at 31 August 2016 and 29 February 2016, the outstanding number of awarded shares granted was 253,000,000. The awarded shares granted to the Selected Participants are to be vested after the Selected Participants having completed a period of services in the Group of 10 years from the date of grant. The awarded shares will be transferred to the Selected Participants at nil consideration upon vested.

19 CAPITAL COMMITMENTS

As at 31 August 2016, the Group had the following capital commitments not provided for:

	As at 31 August 2016	As at 29 February 2016
	RMB million	*RMB million*
Contracted but not provided for		
– Construction commitments	**59.4**	200.5
– Purchase of property, plant and equipment	**1.3**	—
– Available-for-sale financial assets *(note)*	**220.8**	—

Note: On 23 August 2016, a wholly-owned subsidiary of the Company entered into a limited partnership agreement for investing into Fengshion Capital Investment Fund, L.P. (the "Fund"), a fund which has a primary objective of investing in the technology and consumer sector. Pursuant to the agreement, the Group committed to invest US$60.0 million (approximately RMB402.2 million) into the Fund, of which an amount of US$27.0 million (RMB181.4 million) has already been contributed as of 31 August 2016. The investment is classified as available-for-sale financial assets in the condensed consolidated interim financial information.

20 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 this condensed consolidated interim financial information:

Transactions for the period

	Six months ended 31 August	
	2016	2015
	RMB million	*RMB million*
Transactions with associates *(note (a))*		
– Sales of goods	**6.2**	8.0
– Processing fee income	**3.3**	5.3
– Processing fee charges	**—**	4.2
– Purchases of goods	**199.6**	219.5
– Royalty expense	**10.5**	13.3
Transactions with a joint venture *(note (a))*		
– Purchases of goods	**4.0**	—
Key management compensation		
– Salaries, bonuses and other welfare *(note (b))*	**8.4**	9.5

20 RELATED PARTY TRANSACTIONS (continued)

Period-end balances

	As at 31 August 2016 *RMB million*	As at 29 February 2016 *RMB million*
Receivables from/(payables to) associates		
– Trade receivables *(note (c))*	**7.1**	10.5
– Trade payables *(note (c))*	**(134.0)**	(136.8)
– Other receivable *(note (f))*	**111.7**	—
– Other payable *(note (d))*	**(22.1)**	—
Receivable from/(payable to) a joint venture		
– Trade payables *(note (c))*	**(1.4)**	(0.8)
– Other receivable *(note (e))*	**125.1**	95.1

Notes:

(a) Purchases of goods from associates and the joint venture, and sales of goods, processing fee from/to and royalty expense to the associates are based on terms mutually agreed between the relevant parties.

(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 and the joint venture arise mainly from transactions as described above which are unsecured, interest free and are due for settlement according to the relevant business terms which generally range from 30 to 180 days. Except for trade payable to an associate amounting to RMB15.7 million (29 February 2016: RMB21.1 million) which is denominated in Japanese Yen, trade balances with associates and the joint venture are denominated in RMB.

(d) Other payable to an associate is unsecured, interest free, repayable within one year 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.

(f) Loan to an associate is secured by personal guarantee of a shareholder of the associate, bearing interest at 3% per annum, repayable within one year and denominated in Euro.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 August 2016, 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 (the "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)*	1,751,125,000 (L)	20.76%
Mr. Sheng Baijiao	Founder of a discretionary trust *(note 3)*	345,237,000 (L)	4.09%
	Interest in controlled corporation *(note 4)*	75,000,000 (L)	0.89%
Mr. Sheng Fang	Founder of a discretionary trust *(note 5)*	38,975,000 (L)	0.46%
Mr. Yu Wu	Founder of a discretionary trust *(note 6)*	185,625,000 (L)	2.20%
Mr. Tang Wai Lam	Interest in controlled corporation *(note 7)*	1,752,519,000 (L)	20.78%

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 the Company (the "Shares") were held by a company, which was owned as to 54.33% by another company wholly owned by Mr. Tang Yiu.

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

(4) These Shares were held by a company wholly owned by Mr. Sheng Baijiao.

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

GENERAL INFORMATION

(6) Mr. Yu Wu was interested in the Shares through a trust, of which he is a founder and a beneficiary.

(7) Mr. Tang Wai Lam was deemed to be interested in 1,752,519,000 Shares, comprising (i) 1,751,125,000 Shares held by a company, which was owned as to 45.67% by another company wholly owned by Mr. Tang Wai Lam; (ii) 757,000 Shares held by a company, of which Mr. Tang Wai Lam was beneficially interested in 33.33% of its issued share capital; and (iii) 637,000 Shares held by a company, which was owned as to 33.33% by another company wholly owned by Mr. Tang Wai Lam.

(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 as at 31 August 2016.

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

As at 31 August 2016, 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 shareholder	Capacity/ Nature of interest	Number of Shares *(note 1)*	Approximate percentage of interest in the Company
Credit Suisse Trust Limited	Trustee	1,503,243,500 (L)	17.82%
Merry Century Investments Limited	Beneficial interest	1,751,125,000 (L)	20.76%
Dazzle Best Limited	Interest in controlled corporation *(note 2)*	1,751,125,000 (L)	20.76%
Jing Yuan Holdings Limited	Interest in controlled corporation *(note 2)*	1,751,125,000 (L)	20.76%

Notes:

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

(2) These Shares were held by Merry Century Investments Limited ("Merry Century"). Dazzle Best Limited was interested in 54.33% of the issued share capital of Merry Century. Jing Yuan Holdings Limited was interested in 45.67% of the issued share capital of Merry Century.

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 2016.

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.

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 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 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 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, 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.

GENERAL INFORMATION

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.

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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