百麗國際控股有限公司

Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1880)

Interim Report 2007 中期業績報告

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tang Yiu (Chairman)
Mr. Sheng Baijiao (Chief Executive Officer)
Mr. Yu Mingfang
Ms. Tang Ming Wai

Non-executive Directors

Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors

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

Authorized Representatives

Ms. Tang Ming Wai
Mr. Leung Kam Kwan

Audit Committee

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

Remuneration Committee

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

Qualified Accountant and Company Secretary

Mr. Leung Kam Kwan, *FCPA*

Registered Office

Offshore Incorporation (Cayman) Limited
Scotia Centre, 4/F
P.O. Box 2804, George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

19/F Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
Hong Kong

Stock Code

1880

Website

www.belleintl.com

Legal Advisors

Norton Rose
38/F, Jardine House
1 Connaught Place
Central
Hong Kong

Compliance Advisor

Platinum Securities Company Limited
22/F Standard Chartered Bank Building
4 Des Voeux Road
Central
Hong Kong

Auditors

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

Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
Grand Cayman KY1-1107
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2007	2006
Turnover	RMB'000	**5,131,204**	2,061,934
Profit from core operations	RMB'000	**748,842**	420,080
Earnings before interest, taxes, depreciation and amortization	RMB'000	**1,226,136**	482,791
Profit attributable to equity holders	RMB'000	**1,002,402**	409,459
Gross profit margin	%	**51.6**	63.1
Net profit margin	%	**19.5**	19.9
Earnings per share – basic	RMB cents	**13.61**	6.65
– diluted	RMB cents	**13.61**	6.65
		As at	
		30 June 2007	31 December 2006
Gearing ratio	%	**1.9**	17.9
Current ratio	times	**10.6**	1.8
Average trade receivables turnover period	days	**29.8**	36.9
Average trade payables turnover period	days	**31.6**	42.8
Average inventory turnover period	days	**121.0**	144.6

STATEMENT FROM CHAIRMAN

Dear Shareholders,

Since the listing of the Group on 23 May 2007, all business segments of the Group have been kept on a fast development track. The results for the six months ended 30 June 2007 reflect that we have made impressive progress on all fronts. Our product development, production, marketing, and efficiency and quality of customer services have been enhanced significantly. In particular, we made a new record in the expansion of our retail network. During the first half of 2007, 953 new company-managed retail outlets were opened. As at 30 June 2007, the total number of company-managed retail outlets of the Group reached 4,816, including 4,778 outlets in the PRC and 38 outlets in Hong Kong, Macau and the United States.

In the past six months, it was our honor that we have gained recognition from all parties and transformed from a private company to a listed company. In such a short period of time since the listing, I, together with my numerous colleagues, already felt deeply the various changes brought about by the listing to the Group. The listing not only raised and generated a large amount of development fund, but also resulted in more important responsibilities for the Group. The Group is accountable to all shareholders for the development of every business project and the use of every sum of fund, and all these responsibilities will ultimately be reflected in the operating results. Today, I am pleased to tell you that the Group has achieved satisfactory results for the first half year in accordance with the established growth plan.

Reviewing the performance of various strategic development targets in the first half of 2007, we note that the footwear business experienced positive changes in all operating benchmarks such as gross profit, expenses-to-sales ratio and profit margin, while maintaining steady and rapid growth in sales. The sportswear business, boosted by business opportunities created by the 2008 Olympic Games, expanded at an ultra-fast rate. The two first-tier sportswear brands Nike and Adidas maintained strong growth momentum. Other second-tier sportswear brands such as Reebok, PUMA, Kappa and Mizuno also experienced strong growth. I believe, through retail network and human resources deployment, the growth potential and operating performance of the aforesaid sportswear business will be fully shown in 2008.

My experience in leading the growth of Belle for more than ten years proved that talent, among others, is the fundamental driving force for the Group's development. In the past, we trained, recruited and appointed people of various talents liberally and vested them with corresponding responsibilities, delegations and rewards. Those with outstanding performance became our shareholders. Today, to cope with the future development of Belle, we will continue to apply our successful experience. More talented individuals will be invited to join the Belle family, which will strengthen our team. To cope with the development of our business, we will also enhance our management structure in a timely manner to facilitate the sustainable growth of our operations. Therefore, the development and recruitment of human resources has always been our key concern. It is a very challenging task but we are full of confidence. As always, I will continue to work closely with the board of directors to lay a solid foundation for the future development and prospect of the Group.

Tang Yiu
Chairman

25 August 2007

STATEMENT FROM CEO

Dear Shareholders,

I am pleased to report to you the interim results for 2007. In the past six months, we advanced progressively in accordance with the established strategies and made the following achievements.

Results for the First Half of 2007

Our turnover increased by 148.9% to RMB5,131.2 million. This was mainly attributable to the steady and rapid growth of sales generated from the footwear business and the contribution of the new sportswear business compared with the same period last year.

Profit from core operations for the period was RMB748.8 million, an increase of 78.3% over the same period last year. Profit attributable to shareholders was RMB1,002.4 million, an increase of 144.8%. The increase in net profit was attributable to the increase in profit margin of the footwear business, additional profit from the acquired sportswear business and one-off interest income earned from the tied-up fund during the listing.

Earnings per share was RMB13.61 cents. I am pleased to announce that the board of directors declared an interim dividend of RMB3 cents per share.

Summary of the Overall Business Development Strategy of the Group

The Group's business is broadly divided into two main segments: footwear and sportswear. For the footwear business, we have adopted the vertically integrated business model that encompasses product development, procurement, production, and distribution and retail functions. In future, to maintain our leading position in the footwear market, we will expand our coverage in the market of medium-end and high-end footwear brands and further subdivide the customer segments through various measures, including establishing new brands, introducing medium-end and high-end international brands through licensing and acquiring brands which can enrich our brand portfolio. The business model for the sportswear business is different from that of the footwear business as we only engage in distribution and retailing. Although the sportswear business has a lower net profit margin than that of the footwear business, investment on production facilities and brand marketing are not required for the former. Its business model is also comparatively simple and its return on assets is quite satisfactory. In terms of long-term business development strategies, the development of the sportswear business does not focus solely on the impact of the 2008 Olympic Games. More importantly, we are very optimistic about the growth potential and market opportunities in the sportswear market in future. We are confident and ready to seize this opportunity to accelerate the growth of the sportswear business, so that it will flourish together with the growth of the market.

Footwear Business

The table below sets out the revenue from our company-owned brands and licensed footwear brands, as well as OEM revenue, and provides their respective percentage of total sales and comparative growth rates for the periods indicated.

	For the six months ended 30 June 2007		For the six months ended 30 June 2006		
	Turnover	**% of total**	Turnover	% of total	% of Growth
Company-owned brands	**2,574.2**	**91.8%**	1,885.3	91.5%	36.5%
Licensed brands	**136.3**	**4.9%**	87.2	4.2%	56.3%
Sub-total	**2,710.5**	**96.7%**	1,972.5	95.7%	37.4%
OEM	**92.3**	**3.3%**	89.4	4.3%	3.2%
Total	**2,802.8**	**100.0%**	2,061.9	100.0%	35.9%

Unit: RMB million

- The company-owned brand business comprises six brands, namely Belle, Staccato, Teenmix, Tata, Fato and JipiJapa. In terms of total sales, average sales per retail outlet and profit, Belle is comparatively higher. Staccato earns a higher profit margin whereas Tata records a healthy sales growth rate and same-outlet sales growth rate among all brands.
- The licensed brand business comprises two brands, namely Joy & Peace and Bata. Bata has a faster sales growth rate.

Sportswear Business

The table below sets out our revenue from our first-tier sportswear brands, second-tier sportswear brands, as well as other sportswear business for the six months ended 30 June 2007.

	For the six months ended 30 June 2007	
	Turnover	**% of total**
First-tier sportswear brands *	**2,125.9**	**91.3%**
Second-tier sportswear brands *	**182.8**	**7.9%**
Other sportswear business	**19.7**	**0.8%**
Total	**2,328.4**	**100.0%**

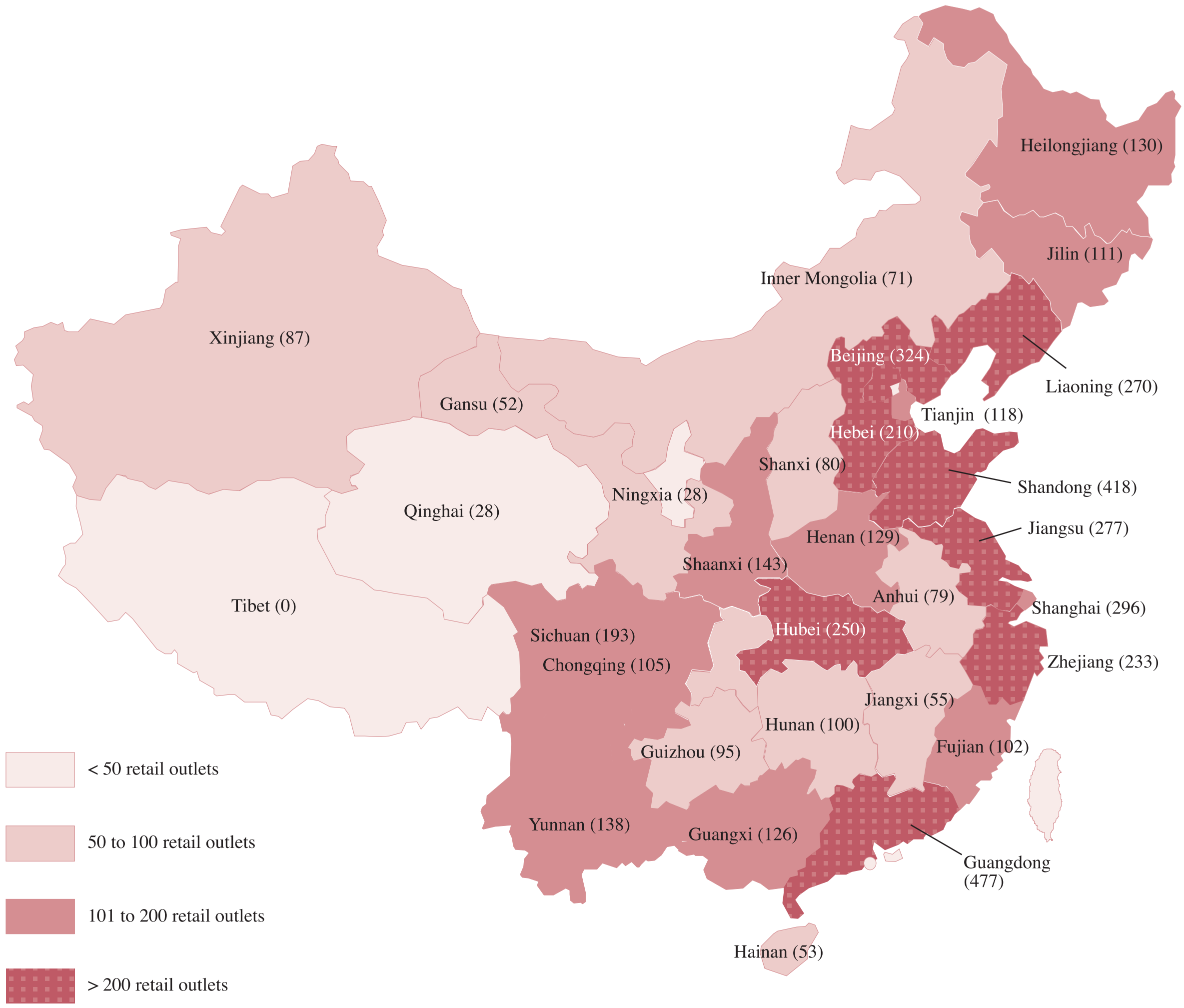
Unit: RMB million

* The first-tier sportswear brands and second-tier sportswear brands are classified according to our Group's relative sales amounts.

- The first-tier sportswear brand business comprises Nike and Adidas. Both brands experienced steady and healthy sales growth during the first half of the year. They performed well in both sales growth rate and same-outlet sales growth rate.
- The second-tier sportswear brand business consists of Reebok, LiNing (李寧), Kappa, PUMA and Mizuno and approximately 310 outlets, representing approximately 33% of new company-managed retail outlets, were opened during the first half of the year. It is expected that the second-tier sportswear brand business will expand at a rapid growth rate in the next couple of years.
- The sports complex business is still in the pilot stage. At present, there are more than 10 sports complexes of various floor space operating in different regions. Some of the sportswear brands in the sports complexes are operated by the Group, such as Nike and Adidas, while the rest is run by other brand operators through leasing. Except the Guangzhou Taobo Sports Complex, all sports complexes are leased properties.
- The acquisition of the Fila trademark (the PRC, Hong Kong and Macau) by the Group will be completed by the end of August 2007 and it is now in the stage of market penetration analysis and business development planning.

Expansion of Company-Managed Retail Network

The following map shows the geographical distribution of company-managed retail outlets in the PRC as at 30 June 2007.



The following table sets out the distribution of our company-managed retail outlets, by regions and business segments in the PRC as at 30 June 2007.

	Footwear			Sportswear				
Region	Company - owned brands	Licensed brands	Sub-total	First-tier brands	Second-tier brands	Apparel	Sub-total	Total
Eastern China	492	55	547	291	47	—	338	885
Northern China	513	72	585	163	42	13	218	803
Southern China	467	25	492	136	43	—	179	671
North-eastern China	324	26	350	146	15	—	161	511
Shandong and Henan	243	20	263	173	111	—	284	547
Central China	221	18	239	74	37	—	111	350
South-western China	190	14	204	81	13	—	94	298
North-western China	202	10	212	85	41	—	126	338
Yunnan and Guizhou	110	6	116	61	56	—	117	233
Guangzhou	140	2	142	—	—	—	—	142
Total	2,902	248	3,150	1,210	405	13	1,628	4,778

Production Facilities

Plant construction and expansion of production capacity

To cope with the long-term growth of our footwear business, the Group has started the construction of the Belle Industrial Park in a site of approximately 130,000 square meters in Longhua, Baoan District, Shenzhen since the end of 2006. The industrial park comprises 21 buildings with a total gross floor space of 252,000 square meters. The overall construction works are carried out as scheduled. As at 30 June 2007, the first phase of buildings construction with approximately 115,000 square meters of gross floor space has been completed. It is expected that all buildings construction works will be completed by June 2008.

For the first half year, the Group fully utilised our production facilities' combined capacity of approximately 7.5 million pairs of footwear. It is estimated that the total capacity for the full year will reach approximately 15.0 million pairs.

ERP implementation

The overall planning and design of the ERP system for the production division has been completed. It is now in the stage of program testing and hardware installation. It is expected that pilot testing will commence by the end of the year.

Future Challenges

Change in sales and promotion schemes of department stores

In the first half of the year, some department stores changed their sales promotion from giving out gift coupons to direct sales discounts. The frequency of sales promotion in department stores also declined slightly. Although the operating profit was not affected, certain performance benchmarks such as revenue, gross profit margin and expenses-to-sales ratio changed to some extent. We are not sure whether department stores will continue to adopt the same sales promotion strategy. In future, we will strengthen our own marketing and promotion planning for all of our brands in order to avoid the impact of similar changes in sales promotion strategies of department stores on sales.

Increases in labour cost

As a result of the increasing cost of living in the PRC in the first half of 2007, the Group's total labour costs slightly increased. Although the selling and distribution expenses to sales ratio decreased, the labour cost to sales ratio slightly went up. We will continue to closely monitor the impact of the increase in labour cost on the Group's operations and will keep the increase at an acceptable level.

Enhancement of our human resources and management structure

Enterprises of different operating scales require different types of human resources and management structure. To traditional retail business like Belle, it is particularly important since we have thousands of outlets and an extensive geographic coverage. Therefore, to maintain sustainable growth of the Group in future, it is necessary to continue recruiting talents and to enhance the management structure to meet the needs of future business development. In accordance with the development stages of individual brands, we will gradually enhance the organizational structure of our brand divisions to strengthen the vertical integration of management processes under a brand-centric approach. We will also make use of this opportunity to fine tune the existing management structure.

Risks associated with the new businesses

The successful listing on 23 May 2007 showed recognition of our efforts made in the past. On the other hand, it also created pressure for the needs of continuing business development. Under the continuously changing market, identifying new opportunities in the market, and developing and acquiring new business which is in line with the Group's development and positioning is one of our growth-driving vehicles. We will seriously grasp and carefully pursue every new business opportunity. However, in the initial operation of every new business, we need to face much uncertainty in market recognition, team building, business planning and logistics re-engineering. Therefore, we cannot evade risks in developing new business. We will give due consideration to the interests of shareholders and minimize such risks.

Prospect

All the remarkable achievements we accomplished in the past are history. We are always aware that the recent achievements merely represent a good start. We have never been self-satisfied about our success in the past. We still maintain a fresh and aggressive spirit. We truly believe that we have the chance and the capability to achieve even greater success!

Looking into the future, we need to be well prepared for the following issues.

Further growth of existing business

China's huge market and fast-growing economy have created excellent opportunities for the sustainable development of our existing footwear and sportswear business. We have to grasp these opportunities to continue the growth momentum of all brand business. We have to continue to successfully establish new outlets and to improve the operating efficiency of all existing outlets. The development of existing business will be the main driving force for the Group's growth in the next two to three years. It is expected that further growth of existing business will guarantee steady growth of the Group's return.

Development and integration of new business in future

According to our business development blueprint, we cannot rely on the growth of existing business as the sole growth engine for the Group three or five years later. In the coming one or two years, we will make use of the opportunities provided by market integration. We will acquire and develop some new brands and business to enrich our brand and business portfolio and to increase our coverage of the segregated market. The initial development of such business, business re-engineering and management team building will lay the foundation for future growth of the Group.

Fila

The 2008 Olympic Games means more than the rapid growth of the sportswear market in 2008. In fact, most importantly, it will change our perception about sports and health, resulting in substantial changes in spending behaviour and life style. These changes will have long-term impact on the development of the sportswear market. Therefore, the development of the Fila brand business will be one of the Group's core strategies. With our success in adopting a vertically integrated business model in the footwear business, we will gradually establish a similar model in branding, product development, procurement, production, marketing and promotion, and distribution and retail functions of the Fila brand business. We will confront market competition through a new operation mode for sportswear business.

It was exciting in the past six months. Of the joyous and encouraging memories, the most memorable moment was when we were informed that Belle International created a new record on the amount of tied-up fund in the Hong Kong public offer. It was impossible to verbally express the mixed feelings at that moment. My numerous colleagues and myself who have worked and struggled in the footwear business for more than a decade have never dreamed of gaining such wide market recognition for selling shoes, a traditional business. This is the most valuable prize and encouragement for us. For the sake of this prestige, we will work cautiously and conscientiously as in the past to maintain the Group's leading position in the market, thereby creating higher values for shareholders.

Sheng Baijiao
CEO and Executive Director

25 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group continued to benefit from fast growth. During the six months ended 30 June 2007, the Group recorded turnover and profit attributable to the Company's equity holders of RMB5,131.2 million and RMB1,002.4 million respectively, achieving growth rate of 148.9% and 144.8% respectively.

Turnover

The Group's turnover increased by 148.9% to RMB5,131.2 million (footwear and sportswear) in the six months ended 30 June 2007 from RMB2,061.9 million (footwear only) in the six months ended 30 June 2006. This increase was primarily due to the contribution of sales from the sportswear which was acquired on 1 July 2006. In addition, sales from footwear business increased by RMB740.9 million, representing an increase of 35.9%, to RMB2,802.8 million in the six months ended 30 June 2007 from RMB2,061.9 million in the six months ended 30 June 2006.

	Six months ended 30 June				
	2007		2006		Growth Rate
	RMB million	**% of total**	RMB million	% of total	%
Footwear					
Company-owned brands	**2,574.2**	**50.2%**	1,885.3	91.5%	36.5%
Licensed brands	**136.3**	**2.6%**	87.2	4.2%	56.3%
OEM	**92.3**	**1.8%**	89.4	4.3%	3.2%
	2,802.8	**54.6%**	2,061.9	100.0%	35.9%
Sportswear					
First-tier sportswear brands	**2,125.9**	**41.4%**	—	—	N/A
Second-tier sportswear brands	**182.8**	**3.6%**	—	—	N/A
Other sportswear business	**19.7**	**0.4%**	—	—	N/A
	2,328.4	**45.4%**	—	—	N/A
Total	**5,131.2**	**100.0%**	2,061.9	100.0%	148.9%

Profitability

On account of the continuous growth of the Group's businesses, the profit attributable to equity holders of the Company increased by 144.8% to RMB1,002.4 million, achieving a net profit margin of 19.5%.

	For six months ended 30 June 2007		For six months ended 30 June 2006		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Turnover	**2,802.8**	**2,328.4**	2,061.9	—	35.9%	N/A
Cost of sales	**995.9**	**1,489.4**	760.4	—	31.0%	N/A
Gross Profit	**1,806.9**	**839.0**	1,301.5	—	38.8%	N/A
Gross profit margin (%)	**64.5**	**36.0**	63.1	—		

Cost of sales increased by 226.8% from RMB760.4 million in the six months ended 30 June 2006 to RMB2,485.3 million in the six months ended 30 June 2007. The significant increase was primarily due to inclusion of sportswear business which was acquired on 1 July 2006 and increase in sales of both company-owned brands and licensed brands footwear.

Gross profit increased by 103.3% to RMB2,645.9 million in the six months ended 30 June 2007 from RMB1,301.5 million in the six months ended 30 June 2006. Gross profit in our footwear segment increased by 38.8% to RMB1,806.9 million in the six months ended 30 June 2007 from RMB1,301.5 million in the six months ended 30 June 2006 while gross profit in the sportswear segment was RMB839.0 million in the six months ended 30 June 2007.

Gross profit margin decreased to 51.6% in the six months ended 30 June 2007 from 63.1% in the six months ended 30 June 2006. The decrease was primarily due to the inclusion of the sales of sportswear products, which generally have lower gross profit margin than the sales of our footwear products due to differences in the respective business models. During the review period, the gross profit margin of footwear business and sportswear business was 64.5% and 36.0% respectively. Comparing to the same period of last year, the gross profit margin of footwear business has no material change.

Selling and distribution expenses in the six months ended 30 June 2007 amounted to RMB1,517.9 million (2006: RMB682.7 million), primarily consist of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retails outlet decorations and advertising and promotional expenses. General and administrative expenses in the six months ended 30 June 2007 amounted to RMB384.0 million (2006: RMB201.6 million), primarily consist of management and administrative personnel salaries and depreciation charges on office premises and office equipments. Comparing to the same period of last year, in term of percentage, both selling and distribution and general and administrative expenses to sales was slightly improved from 33.1% to 29.6% and from 9.8% to 7.5% respectively.

In May 2007, new issue of 1,370,733,000 shares at HK$6.2 was offered globally and the Company was successfully listed on The Main Board of the Hong Kong Stock Exchange on 23 May 2007. In respect of Hong Kong public offer, over HK$400 billion was tied up and the Company earned approximately RMB364.2 million interest income. On the other hand, approximately RMB54.6 million listing-related expenses were charged to profit and loss account.

During the six months ended 30 June 2007, Renminbi appreciated against Hong Kong dollar by 2.98% and the Group recorded an exchange loss of approximately RMB27.7 million, primarily due to translation of net proceeds from the share issuance in May 2007 from Hong Kong dollar to Renminbi. In view of expected appreciation of Renminbi, since July 2007, the Group entered into foreign exchange forward contracts with major and reputable financial institutions to hedge foreign exchange risk for minimizing our foreign exchange exposure on the unused portion of net proceeds.

Liquidity and Financial Resources

The Group maintains a strong and healthy balance sheet. Cash and cash equivalents as at 30 June 2007 rose 2,394.8% to RMB7,536.9 million from RMB302.1 million as at 31 December 2006. As at 30 June 2007, the working capital of the Group was RMB9,366.0 million, representing an increase of 630.3% as compared to 31 December 2006. The increase in cash and cash equivalents is primarily due to the cash proceeds received from issuance of new shares from listing.

As at 30 June 2007, the Group's current ratio was 10.6 times (31 December 2006: 1.8 times) and gearing ratio stood at a low level of 1.9% (31 December 2006: 17.9%). Group's total borrowings as at 30 June 2007 decreased by 70.3% to RMB236.5 million from RMB795.7 million as at 31 December 2006, primarily as a result of substantial portion of bank borrowings were repaid after the listing of the Group on 23 May 2007, and therefore decrease in gearing ratio and increase in current ratio were resulted.

During the review period, net cash inflow from operating activities increased by RMB319.9 million from the same period in last year to RMB584.4 million. This reflects the Group's ability to generate solid earnings.

Net cash used in investing activities for the six months ended 30 June 2007 was RMB737.5 million (2006: RMB239.6 million). During the period, the Group invested approximately RMB98.1 million, RMB290.0 million and RMB153.2 million on the construction of new factories, purchase of a property and renovation for footwear and sportswear retail outlets respectively.

Net cash generated from financing activities during the review period was RMB7,420.1 million (2006: RMB106.0 million), primarily as a result of approximately RMB8,014.6 million net proceeds received from global offering of 1,370,733,000 Company's shares at HK$6.2 per share in May 2007, partially offset by RMB1,667.1 million used in repaying bank borrowings and payment of dividend of RMB400.0 million.

Human Resources

As at 30 June 2007, the Group had a total of 42,569 employees (31 December 2006: 33,995 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance.

Interim dividend

The Board has resolved to declare an interim dividend in respect of the financial year ending 31 December 2007 of RMB3 cents per share. The interim dividend will be paid on 19 September 2007 to members whose names appear on the Register of Members of the Company on 12 September 2007.

The dividend payable in Hong Kong dollar ("HK$") will be calculated based on the average exchange rate of RMB to HK$ published by The Hong Kong Association of Banks over the period of one calendar week prior to the declaration of the dividend. During such period, the average exchange rate of RMB to HK$ was HK$1.00 = RMB0.968242. Accordingly, the amount of the interim dividend is HK3.098 cents per share.

Closure of register of members

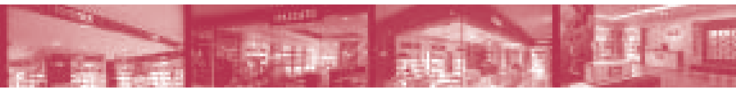
The register of members of the Company will be closed from Tuesday, 11 September 2007 to Wednesday, 12 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:00 p.m. on Monday, 10 September 2007.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30 June 2007

		Unaudited	
		Six months ended 30 June	
	Note	**2007**	2006
		RMB'000	*RMB'000*
Turnover	4	**5,131,204**	2,061,934
Cost of sales		**(2,485,278)**	(760,476)
Gross profit		**2,645,926**	1,301,458
Other income		**4,804**	2,826
Selling and distribution expenses		**(1,517,863)**	(682,650)
General and administrative expenses		**(384,025)**	(201,554)
		748,842	420,080
Other expenses		**(54,628)**	—
Finance income	5	**391,503**	1,682
Finance costs	6	**(54,415)**	(6,044)
Profit before income tax	7	**1,031,302**	415,718
Income tax expense	8	**(28,900)**	(6,259)
Profit attributable to equity holders of the Company		**1,002,402**	409,459
Earnings per share for profit attributable to the equity holders of the Company	9		
– basic		**RMB13.61 cents**	RMB6.65 cents
– diluted		**RMB13.61 cents**	RMB6.65 cents
Dividends	10	**253,240**	—

The notes on pages 19 to 34 form an integral part of this condensed interim financial information.



CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30 June 2007

	Note	**Unaudited 30 June 2007 RMB'000**	Audited 31 December 2006 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**762,276**	575,621
Leasehold land and land use rights	11	**512,844**	278,897
Investment properties	11	**48,011**	11,636
Intangible assets	11	**636,114**	656,137
Long-term deposits and prepayments		**28,704**	13,105
Deferred income tax assets		**14,402**	9,057
		2,002,351	1,544,453
Current assets			
Inventories		**1,752,984**	1,569,862
Trade receivables	12	**852,458**	836,749
Other receivables, deposits and prepayments		**200,281**	192,013
Cash and cash equivalents	13	**7,536,932**	302,095
		10,342,655	2,900,719
Total assets		**12,345,006**	4,445,172

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (CONTINUED)

As at 30 June 2007

	Note	Unaudited 30 June 2007 RMB'000	Audited 31 December 2006 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**83,126**	3
Share premium	14	**9,249,510**	1,318,078
Reserves		**1,918,826**	1,315,883
Total equity		**11,251,462**	2,633,964
LIABILITIES			
Non-current liabilities			
Borrowings	16	**79,752**	150,535
Deferred income tax liabilities		**37,134**	42,438
		116,886	192,973
Current liabilities			
Trade payables	15	**420,665**	448,274
Other payables, accruals and other current liabilities		**347,014**	330,099
Amounts due to related parties	18	**2,070**	128,839
Short-term borrowings	16	**150,565**	609,900
Current portion of non-current borrowings	16	**6,139**	35,251
Trust receipt loans, secured		**2,073**	23,496
Current income tax liabilities		**48,132**	42,376
		976,658	1,618,235
Total liabilities		**1,093,544**	1,811,208
Total equity and liabilities		**12,345,006**	4,445,172
Net current assets		**9,365,997**	1,282,484
Total assets less current liabilities		**11,368,348**	2,826,937

The notes on pages 19 to 34 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Unaudited						
	Share capital *RMB'000* *(Note 14)*	**Share premium** *RMB'000* *(Note 14)*	**Merger reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
As at 1 January 2006	3	487,079	3,808	19,568	533	316,181	827,172
Profit for the period	—	—	—	—	—	409,459	409,459
As at 30 June 2006	3	487,079	3,808	19,568	533	725,640	1,236,631
As at 1 July 2006	3	487,079	3,808	19,568	533	725,640	1,236,631
Issue of shares	—	830,999	—	—	—	—	830,999
Liquidation of a subsidiary	—	—	(277)	(500)	—	—	(777)
Profit for the period	—	—	—	—	—	567,110	567,110
Exchange differences	—	—	—	—	1	—	1
As at 31 December 2006	3	1,318,078	3,531	19,068	534	1,292,750	2,633,964
As at 1 January 2007	3	1,318,078	3,531	19,068	534	1,292,750	2,633,964
Transfer to reserves	—	—	—	18,238	—	(18,238)	—
Capitalization issue	69,763	(69,763)	—	—	—	—	—
Issue of shares	13,360	8,269,822	—	—	—	—	8,283,182
Share issuance costs	—	(268,627)	—	—	—	—	(268,627)
Profit for the period	—	—	—	—	—	1,002,402	1,002,402
Dividends *(Note 10)*	—	—	—	—	—	(400,001)	(400,001)
Exchange differences	—	—	—	—	542	—	542
As at 30 June 2007	**83,126**	**9,249,510**	**3,531**	**37,306**	**1,076**	**1,876,913**	**11,251,462**

The notes on pages 19 to 34 form an integral part of this condensed interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Unaudited	
	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Net cash generated from operating activities	**584,394**	264,524
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(458,877)**	(110,846)
Payments for intangible assets and leasehold land and land use rights	**(241,588)**	(118,086)
Purchase of investment properties	**(37,025)**	(11,712)
Proceeds from sale of property, plant and equipment	**—**	1,001
Net cash used in investing activities	**(737,490)**	(239,643)
Cash flows from financing activities:		
Proceeds from issuance of shares , net of share issuance costs	**8,014,555**	—
Dividends paid	**(400,001)**	—
Interest paid	**(26,764)**	(5,539)
Interest received	**391,503**	1,682
Proceeds from borrowings	**1,107,833**	177,160
Repayments of borrowings	**(1,667,063)**	(67,314)
Net cash generated from financing activities	**7,420,063**	105,989
Net increase in cash and cash equivalents	**7,266,967**	130,870
Cash and cash equivalents at beginning of period	**302,095**	235,904
Effect on foreign exchange	**(32,130)**	(169)
Cash and cash equivalents at end of period	**7,536,932**	366,605

The notes on pages 19 to 34 form an integral part of this condensed interim financial information.

SELECTED 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 sales of shoes and footwear 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, Macau and the United States (the "US"). The Group began to engage in the retail sales of sportswear products in the PRC after its acquisition of the relevant business on 1 July 2006.

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 Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

The Company's ordinary shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 23 May 2007. This condensed consolidated interim financial information is presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2007 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the board of directors on 25 August 2007.

2. Basis of preparation

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2007 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the financial information of the Group for the year ended 31 December 2006 as set out in the Accountants' Report included in the prospectus issued by the Company dated 9 May 2007.

3. Accounting policies

The accounting policies and method of computation used in the preparation of this condensed consolidated interim financial information are consistent with those used in the Accountants' Report for the year ended 31 December 2006, except as mentioned below.

(a) *Effect of adopting new standards, amendments to standards and interpretations*

The following new standards, amendments to standards and interpretations are mandatory for the financial year ending 31 December 2007.

IAS 1 (Amendment)	Presentation of Financial Statements: Capital Disclosures
IFRS 7	Financial Instruments: Disclosures
IFRIC Int 7	Applying the Restatement Approach under IAS 29
IFRIC Int 8	Scope of IFRS 2
IFRIC Int 9	Reassessment of Embedded Derivatives
IFRIC Int 10	Interim Financial Reporting and Impairment

3. Accounting policies (continued)

(a) *Effect of adopting new standards, amendments to standards and interpretations (continued)*

The adoption of the above standards and interpretations has no material financial impact to the condensed consolidated interim financial information.

(b) *Standards, amendments to standards and interpretations that have been issued but are not effective*

The following new standards, amendments to standards and interpretations have been issued but are not effective for the period beginning on 1 January 2007 and have not been early adopted. The Group anticipates that the adoption of these new standards and interpretations will not result in substantial changes to the Group's accounting policies.

IFRS 8	Operating Segments (effective from 1 January 2009)
IFRIC Int 11	IFRS 2- Group and Treasury Share Transactions (effective from 1 March 2007)
IFRIC Int 12	Service Concession Arrangements (effective from 1 January 2008)
IFRIC Int 13	Customer Loyalty Programmes (effective from 1 July 2008)
IFRIC Int 14	IAS 19- The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2008)

4. Segment information

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

Primary reporting format- business segments

- Shoes and footwear products- manufacturing, distribution and sales of shoes and footwear products.
- Sportswear products- distribution and sales of sportswear products.

Operating expenses of a functional unit are allocated to the relevant segment which is the predominant user of the services provided by the unit. Operating expenses of other shared services which cannot be allocated to a specific segment and corporate expenses are included as unallocated expenses.

Segment assets consist primarily of property, plant and equipment, leasehold land and land use rights, inventories, receivables, deposits and prepayments, and operating cash. They exclude deferred income tax assets, investment properties and corporate assets.

Segment liabilities comprise operating liabilities. They exclude items such as current income tax liabilities, deferred income tax liabilities, corporate borrowings and other corporate liabilities.

Capital expenditure comprises mainly additions to property, plant and equipment, leasehold land and land use rights, investment properties and intangible assets.

4. Segment information (continued)

Primary reporting format- business segments (continued)

	Six months ended 30 June 2007			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover	2,802,841	2,328,363	—	5,131,204
Segment results	627,586	147,190	—	774,776
Unallocated income				4,804
Amortisation of intangible assets	(896)	(19,444)	—	(20,340)
Unallocated expenses				(10,398)
				748,842
Other expenses				(54,628)
Finance income				391,503
Finance costs				(54,415)
Profit before income tax				1,031,302
Income tax expense				(28,900)
Profit for the period				1,002,402
Capital expenditure	212,901	397,589	—	610,490
Depreciation on property, plant and equipment	70,439	73,095	—	143,534
Amortisation of leasehold land and land use rights				
- Allocated	3,034	147	—	3,181
- Unallocated				710
Reversal of impairment loss on inventories	(95)	—	—	(95)
Amortisation of intangible assets	896	19,444	—	20,340
Depreciation on investment properties				305

4. Segment information (continued)

Primary reporting format- business segments (continued)

	As at 30 June 2007			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	**3,337,281**	**2,042,277**	**(741,264)**	**4,638,294**
Unallocated assets				**7,008,185**
Goodwill				**485,261**
Other intangible assets	**14,357**	**136,496**	**—**	**150,853**
Investment properties				**48,011**
Deferred income tax assets				**14,402**
Total assets				**12,345,006**
Segment liabilities	**491,522**	**1,005,301**	**(741,264)**	**755,559**
Unallocated liabilities				**16,263**
Borrowings				**236,456**
Current income tax liabilities				**48,132**
Deferred income tax liabilities				**37,134**
Total liabilities				**1,093,544**

4. Segment information (continued)

Primary reporting format- business segments (continued)

	Six months ended 30 June 2006			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover	2,061,934	—	—	2,061,934
Segment results	426,210	—	—	426,210
Unallocated income				2,826
Amortisation of intangible assets	(903)	—	—	(903)
Unallocated expenses				(8,053)
				420,080
Finance income				1,682
Finance costs				(6,044)
Profit before income tax				415,718
Income tax expense				(6,259)
Profit for the period				409,459
Capital expenditure	246,954	—	—	246,954
Depreciation on property, plant and equipment	55,990	—	—	55,990
Amortisation of leasehold land and land use rights	4,582	—	—	4,582
Provision for impairment loss on inventories	88	—	—	88
Amortisation of intangible assets	903	—	—	903
Depreciation on investment properties				59

4. Segment information (continued)

Primary reporting format- business segments (continued)

	As at 31 December 2006			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Segment assets	2,875,997	1,323,142	(590,046)	3,609,093
Unallocated assets				159,249
Goodwill				485,261
Other intangible assets	15,320	155,556	—	170,876
Investment properties				11,636
Deferred income tax assets				9,057
Total assets				4,445,172
Segment liabilities	646,305	843,460	(590,046)	899,719
Unallocated liabilities				30,989
Borrowings				795,686
Current income tax liabilities				42,376
Deferred income tax liabilities				42,438
Total liabilities				1,811,208

Secondary reporting format- geographical segments

The Group's revenues are mainly derived from customers located in the PRC. An analysis of the Group's external sales by location of customers and an analysis of the Group's assets and capital expenditure by location of assets are as follows:

	Six months ended 30 June	
	2007 ***RMB'000***	2006 *RMB'000*
External sales		
The PRC	**4,948,625**	1,909,910
Hong Kong	**68,944**	64,152
Other locations (including Macau and the US)	**113,635**	87,872
	5,131,204	2,061,934

4. Segment information (continued)

Secondary reporting format- geographical segments (continued)

	As at	
	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
Total assets		
The PRC	**5,330,531**	4,212,176
Hong Kong	**6,993,882**	209,786
Other locations (including Macau and the US)	**20,593**	23,210
	12,345,006	4,445,172

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Capital expenditure		
The PRC	**605,726**	99,517
Hong Kong	**2,161**	143,345
Other locations (including Macau and the US)	**2,603**	4,092
	610,490	246,954

5. Finance income

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest income on bank deposits	**27,325**	1,682
Interest income from subscription money upon initial public offering	**364,178**	—
	391,503	1,682

6. Finance costs

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest expense on bank borrowings		
- wholly repayable within 5 years	**24,553**	4,990
- not wholly repayable within 5 years	**2,211**	549
	26,764	5,539
Net foreign exchange loss	**27,651**	505
	54,415	6,044

7. Profit before income tax

Profit before income tax is stated after charging/ (crediting) the following:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Costs of inventories recognised as expenses included in cost of sales	**2,484,456**	760,092
Depreciation on property, plant and equipment	**143,534**	55,990
Depreciation on investment properties	**305**	59
Amortisation of intangible assets	**20,340**	903
Amortisation of leasehold land and land use rights	**3,891**	4,582
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**984,586**	471,797
Staff costs (including directors' emoluments)	**614,887**	271,022
Loss on write off/ disposal of property, plant and equipment	**450**	2,883
(Reversal of)/ provision for impairment loss on inventories	**(95)**	88

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

8. Income tax expense

Hong Kong profits tax and overseas income tax have been provided at the rate of 17.5% (2006: 17.5%) and at the rates of taxation prevailing in the jurisdictions in which the Group operates respectively.

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Current income tax		
- PRC enterprise income tax	**38,332**	4,788
- Hong Kong profits tax	**889**	1,249
- Macau income tax	**341**	222
Deferred income tax	**(10,662)**	—
	28,900	6,259

9. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2007	2006
Profit for the period *(RMB'000)*	**1,002,402**	409,459
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousand of shares) (note)*	**7,365,951**	6,161,750
Basic earnings per share *(RMB cents)*	**13.61**	6.65

Note:

The weighed average number of ordinary shares for the purposes of basic earnings per share for the six months ended 30 June 2006 and 2007 has been retrospectively adjusted for the effects of the capitalisation of the ordinary shares took place on 27 April 2007 (Note 14(e)).

Diluted

Diluted earnings per share is the same as there were no potential dilutive ordinary shares outstanding during the periods.

10. Dividends

Pursuant to a resolution passed on 10 February 2007, the Company declared an interim dividend relating to 2006 to its then shareholders amounting to RMB400,000,811. The amount was paid on 30 April 2007.

At a meeting held on 25 August 2007, the directors declared an interim dividend of RMB3 cents per share, totaling RMB253,239,990 for the year ending 31 December 2007. This dividend is not reflected as a dividend payable in the interim financial information but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

11. Capital expenditure

				Intangible assets			
	Property, plant and equipment	**Leasehold land and land use rights**	**Investment properties**	**Goodwill**	**Other intangible assets**	**Total intangible assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value as at 1 January 2007	575,621	278,897	11,636	485,261	170,876	656,137	1,522,291
Additions	331,877	241,203	37,025	—	385	385	610,490
Depreciation/ amortisation	(143,534)	(3,891)	(305)	—	(20,340)	(20,340)	(168,070)
Disposal	(450)	—	—	—	—	—	(450)
Exchange differences	(1,238)	(3,365)	(345)	—	(68)	(68)	(5,016)
Net book value as at 30 June 2007	**762,276**	**512,844**	**48,011**	**485,261**	**150,853**	**636,114**	**1,959,245**
Net book value as at 1 January 2006	195,400	48,408	500	—	16,561	16,561	260,869
Additions	117,156	118,086	11,712	—	—	—	246,954
Depreciation/ amortisation	(55,990)	(4,582)	(59)	—	(903)	(903)	(61,534)
Disposal	(3,884)	—	—	—	—	—	(3,884)
Exchange differences	(180)	(290)	(31)	—	(13)	(13)	(514)
Net book value as at 30 June 2006	252,502	161,622	12,122	—	15,645	15,645	441,891

As at 30 June 2007, the aggregate net book value of property, plant and equipment, leasehold land and land use rights, and investment properties pledged as securities for bank borrowings amounted to RMB141,599,000 (2006: RMB147,847,000).

12. 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 30 June 2007, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
0-30 days	**834,225**	819,540
31-60 days	**9,879**	12,809
61-90 days	**1,650**	2,598
Over 90 days	**6,704**	1,802
	852,458	836,749

13. Cash and cash equivalents

	As at	
	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
Denominated in:		
- RMB	**725,501**	277,695
- HK$	**6,427,473**	18,101
- US$	**383,949**	5,530
- Other currencies	**9**	769
	7,536,932	302,095

14. Share capital and share premium

Share capital

	No. of shares			
	Ordinary shares of HK$0.01 each	Redeemable ordinary shares of HK$0.01 each *(note a)*	Total	Share capital *RMB'000*
For the six months ended 30 June 2006				
Authorised:				
As at 1 January and 30 June 2006	19,500,000	19,500,000	39,000,000	413
Issued and fully paid:				
As at 1 January and 30 June 2006	50,000	196,470	246,470	3
For the six months ended 30 June 2007				
Authorised:				
As at 1 January 2007	19,500,000	19,500,000	39,000,000	413
Redesignation of shares *(note b)*	19,500,000	(19,500,000)	—	—
Increase during the period *(note c)*	29,961,000,000	—	29,961,000,000	317,279
As at 30 June 2007	**30,000,000,000**	**—**	**30,000,000,000**	**317,692**
Issued and fully paid:				
As at 1 January 2007	86,354	196,470	282,824	3
Redesignation of shares *(note d)*	196,470	(196,470)	—	—
Capitalisation of shares *(note e)*	7,070,317,176	—	7,070,317,176	69,763
Issuance of ordinary shares *(note f)*	1,370,733,000	—	1,370,733,000	13,360
As at 30 June 2007	**8,441,333,000**	**—**	**8,441,333,000**	**83,126**

(a) Both ordinary shares and redeemable ordinary shares rank pari passu in all respects with each other except that the holders of redeemable ordinary shares had the right to redeem upon certain conditions. Such right to redeem lapsed in June 2006.

(b) Pursuant to a resolution passed on 27 April 2007, entire 19,500,000 redeemable ordinary shares of HK$0.01 each of the Company were redesignated as ordinary shares of HK$0.01 each, resulting in the authorized share capital of the Company being 39,000,000 ordinary shares of HK$0.01 each.

(c) Pursuant to a resolution passed on 27 April 2007, the authorized share capital of the Company was increased from HK$390,000 (equivalent to RMB413,000) to HK$300,000,000 (equivalent to RMB317,692,000) by the creation of 29,961,000,000 new shares of HK$0.01 each. These shares rank pari passu in all respects with the shares in issue.

(d) Pursuant to a resolution passed on 27 April 2007, the 196,470 redeemable ordinary shares then issued were redesignated as ordinary shares.

14. Share capital and share premium (continued)

Share capital (continued)

(e) Pursuant to a resolution passed on 27 April 2007, the directors have been authorized to allot and issue a total of 7,070,317,176 shares of HK$0.01 each of the Company to the holders of shares on the register of members of the Company at the close of business on 8 May 2007 in proportion to their respective shareholdings by way of capitalisation of the sum of HK$70,703,172 (equivalent to RMB69,762,820) standing to the credit of the share premium account of the Company.

(f) On 23 May 2007 and 31 May 2007, the Company issued 1,161,300,000 and 209,433,000 ordinary shares respectively of HK$0.01 each at an offer price of HK$6.20 through the global offering for an aggregated consideration of approximately HK$8,498,545,000 (equivalent to approximately RMB8,283,182,000). These shares rank pari passu in all respects with the shares in issue.

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.

Share option scheme

On 27 April 2007, the Company has adopted a share option scheme, the purpose of which is to provide incentive to the Group's directors and qualified employees for their contribution to the Group.

As at the date of the interim financial report, no options have been granted under the share option scheme.

15. Trade payables

The normal credit period for trade payables generally ranges from 0 to 30 days. As at 30 June 2007, the aging analysis of trade payables is as follows:

	As at	
	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
0-30 days	**419,083**	448,148
Over 30 days	**1,582**	126
	420,665	448,274

16. Borrowings

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Current borrowings:		
Bank borrowings	**150,565**	609,900
Current portion of non-current borrowings	**6,139**	35,251
	156,704	645,151
Non-current borrowings:		
Bank borrowings	**85,891**	185,786
Less: current portion	**(6,139)**	(35,251)
	79,752	150,535
Total borrowings	**236,456**	795,686
Representing:		
Unsecured	**150,000**	448,900
Secured	**86,456**	346,786
	236,456	795,686

17. Capital commitments

	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Acquisition of property, plant and equipment:		
- Authorised but not contracted for	**—**	300,000
- Contracted but not provided for	**2,561**	569
	2,561	300,569
Construction commitments:		
- Authorised but not contracted for	**—**	236
- Contracted but not provided for	**193,963**	312,280
	193,963	312,516
	196,524	613,085

18. Related party transactions

During the period, the major related parties that had transactions with the Group were as follows:

Name of related parties	Relationship with the Group
Mirabell International Holdings Limited ("Mirabell")	A beneficial shareholder of the Group
Mirabell Footwear Limited	A subsidiary of Mirabell
深圳市百麗投資有限公司 (Shenzhen Belle Investment Company Limited)	A company of which certain beneficial shareholders of the Group also had beneficial interests before 2007
宏裕貿易（深圳）有限公司 (Hong Yu Trading (Shenzhen) Company Limited)	A subsidiary of Mirabell

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 the condensed consolidated interim financial information.

Profit and loss items:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Sales of goods		
- Mirabell Footwear Limited *(note a)*	**319**	—
Royalty expenses		
- Hong Yu Trading (Shenzhen) Company Limited *(note b)*	**2,965**	1,905
Key management compensation		
- Salaries, bonuses and other welfares *(note c)*	**9,211**	7,385

(a) Sales of goods to Mirabell Footwear Limited were made at mutually agreed prices.

(b) Royalty expenses paid to Hong Yu Trading (Shenzhen) Company Limited were calculated based on the relevant agreements.

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

18. Related party transactions (continued)

Balance sheet items:

The significant balances with related parties at the balance sheet dates were as follows:

	As at	
	30 June 2007	31 December 2006
	RMB'000	*RMB'000*
Balances with related parties:		
Other payables		
- Shenzhen Belle Investment Company Limited	**—**	127,000
- Hong Yu Trading (Shenzhen) Company Limited	**2,070**	1,839
	2,070	128,839

Balances with related parties are unsecured, non-interest bearing and repayable on demand.

19. Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2007 (As at 31 December 2006: Nil).

20. Subsequent events

On 14 August 2007, the Group entered into certain agreements with Fila Korea Limited and certain of its subsidiaries and affiliates ("Fila Group") to (i) acquire the Fila PRC Trademarks and other properties related thereto at a cash consideration of US$48,000,000; (ii) form a 85:15 joint venture with Fila Group to market and distribute the products bearing the Fila PRC Trademarks in the PRC, Hong Kong and Macau; and (iii) acquire the entire equity interest of Fila Marketing (Hong Kong) Limited ("Fila HK"), a wholly-owned subsidiary of Fila Group, at a consideration equivalent to the net asset value of Fila HK as at 31 August 2007. Fila HK is principally engaged in the retail business of Fila Group in Hong Kong.

Other than those disclosed above, the Group had no other significant events taken place subsequent to 30 June 2007 until the date of this condensed consolidated interim financial information.

GENERAL INFORMATION

Directors' and chief executive's interests and short positions in the shares, underlying shares or debentures of the Company

The directors and chief executive of the Company who held office at 30 June 2007 had the following interests in the issued shares of the Company, its subsidiaries and other associated corporations (within the meaning of the Securities and Future Ordinance ("SFO")) at that date as recorded in the register of directors' and chief executives' interest and short position to be kept under Section 352 of the SFO:

Name of Director	Nature of interest	Number of shares in long position	Approximate percentage of interest in the Company
Mr. Tang Yiu	Interest in controlled corporation[(1)]	2,865,625,000	34.0%
("Mr. Tang")	Interest in controlled corporation[(2)]	673,924,000	8.0%
	Deemed interest[(3)]	694,675,000	8.2%
Mr. Sheng Baijiao	Interest in controlled corporation[(3)]	694,675,000	8.2%
("Mr. Sheng")	Deemed interest [(1)]	2,865,625,000	34.0%
	Deemed interest[(2)]	673,924,000	8.0%

Notes:

(1) These ordinary shares of HK0.01 each ("Shares") are held by Profit Leader Holdings Limited ("Profit Leader"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang and Ms. Tang Wing Sze ("Ms. WS Tang"), daughter of Mr. Tang, are together beneficially interested in the entire issued share capital of Merry Century Investments Limited ("Merry Century"), which is interested in 51.1% of the issued share capital of Profit Leader. Golden Coral Holdings Limited is interested in 38.9% of the issued share capital of Profit Leader. By virtue of a concert agreement dated 18 September 2006 entered into between Mr. Tang (for himself and his family member) and Mr. Sheng (the "Concert Agreement"), Mr. Sheng is taken to be interested in any Shares in which Mr. Tang and Ms. WS Tang are interested pursuant to section 318 of the SFO.

(2) These Shares are held by Profit Discovery Limited ("Profit Discovery"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang is interested in the entire issued share capital of Profit Discovery. By virtue of the Concert Agreement, each of Mr. Sheng and Ms. WS Tang is taken to be interested in any Shares in which Mr. Tang is interested pursuant to section 318 of the SFO.

(3) These Shares are held by Handy Limited ("Handy"), a limited liability company incorporated in the British Virgin Islands. Mr. Sheng is interested in 56.4% of the issued share capital of Handy. By virtue of the Concert Agreement, each of Mr. Tang and Ms. WS Tang is taken to be interested in any Shares in which Mr. Sheng is interested pursuant to section 318 of the SFO.

Substantial shareholders

As at 30 June 2007, the following persons, other than directors and chief executive of the Company, having interests or short positions of 5% or more in the Company's shares or underlying shares were recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	**Nature of interest**	**Number of shares in long position**	**Approximate percentage of interest in the Company**
Profit Discovery	Corporate Interest	673,924,000	8.0%
Handy	Corporate Interest	694,675,000	8.2%
Essen Worldwide Limited	Corporate Interest	689,700,000	8.2%
Profit Leader	Corporate Interest	2,865,625,000	34.0%
Best Quality Investments Limited(4)	Corporate Interest	1,250,000,000	14.8%
Merry Century	Interest in controlled corporation(1)	2,865,625,000	34.0%
Golden Coral Holdings Limited	Interest in controlled corporation(1)	2,865,625,000	34.0%
Ms. WS Tang	Interest in controlled corporation(1)	2,865,625,000	34.0%
	Deemed interest(2)	673,924,000	8.0%
	Deemed interest(3)	694,675,000	8.2%

Save as disclosed above, no other parties (other than directors of the Company) disclosed to the Company pursuant to Division 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 of underlying shares of the Company as at 30 June 2007.

Notes:

(1) These Shares are held by Profit Leader. Mr. Tang and Ms. WS Tang are together beneficially interested in the entire issued share capital of Merry Century, which is interested in 51.1% of the issued share capital of Profit Leader. Golden Coral Holdings Limited is interested in 38.9% of the issued share capital of Profit Leader.

(2) These Shares are held by Profit Discovery. Mr. Tang is interested in the entire issued share capital of Profit Discovery. By virtue of the Concert Agreement, each of Mr. Sheng and Ms. WS Tang is taken to be interested in any Shares in which Mr. Tang is interested pursuant to section 318 of the SFO.

(3) These Shares are held by Handy. Mr. Sheng is interested in 56.4% of the issued share capital of Handy. By virtue of the Concert Agreement, each of Mr. Tang and Ms. WS Tang is taken to be interested in any Shares in which Mr. Sheng is interested pursuant to section 318 of the SFO.

(4) On 6 July 2007, Best Quality Investments Limited ("Best Quality") distributed all the Shares it held to its shareholders whose names appeared on the register of members of Best Quality as at 18 June 2007 as interim dividends for the financial year 2007 (the "Distribution"). Mr. Tang and Mr. Sheng were interested in 27.0% and 6.0% of issued share capital of Best Quality, respectively, as at 18 June 2007. Pursuant to the Distribution, each of Mr. Tang (through his wholly-owned corporate vehicle High Summit Group Limited) and Mr. Sheng have received 337,500,000 Shares and 75,000,000 Shares, respectively. No other shareholders of Best Quality was interest in more than 5% Shares by virtue of the Distribution. After the completion of the Distribution, Best Quality have ceased to be a shareholder of the Company.

Purchase, Sale and Redemption of Securities

The Company's shares were listed on the Main Board of the Stock Exchange on 23 May 2007. Save for the above, during the six months ended 30 June 2007, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company had compiled with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2007.

Model code for securities transactions by directors

The Company has adopted a Securities Dealing Code regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the required standard set out in the Model Code and its Securities Dealing Code throughout the period under review.

Audit committee

The Company's audit committee was established on 27 April 2007 with written terms of reference in the compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rule. The primary duties of the audit committee are to assist the board of directors to provide an independent view of 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 assigned by the board of directors of the Company.

The audit committee shall comprise at least three members with the majority being independent non-executive directors. Currently, it comprises three independent non-executive directors of the Company, Mr. Ho Kwok Wah, George, Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi. The chairman of the audit committee is Mr. Ho Kwok Wah, George who has a professional qualification in accountancy.

The 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 report for the six months ended 30 June 2007.

Remuneration committee

The Company established the remuneration committee on 27 April 2007 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee include (but without limitation) making recommendations to our directors on our policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for development policies on such remuneration; determining the terms of the specific remuneration package of the directors and senior management; reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the directors from time to time; and considering and approving the grant of share options to eligible participants pursuant to the share option scheme adopted by the Company pursuant to a resolution passed by our shareholders on 27 April 2007 upon authorization by the board of directors of the Company.

The remuneration committee has three members comprising Mr. Chan Yu Ling, Abraham, Mr. Sheng and Dr. Xue Qiuzhi, two of whom are independent non-executive directors. The chairman of the remuneration committee is Mr. Chan Yu Ling, Abraham.