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)

Annual Report 2008 業績報告

CONTENTS

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

Company Secretary

Mr. Leung Kam Kwan, *FCPA*

Registered Office

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P.O. Box 2804, George Town
Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Stock Code

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
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Principal Share Registrar

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Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 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

		Year ended 31 December	
		2008	2007
Revenue	RMB'000	**17,855,785**	11,671,858
Operating profit	RMB'000	**2,279,303**	1,754,915
Income tax expense *(Note 1)*	RMB'000	**257,558**	43,197
Profit attributable to the Company's equity holders *(Note 2)*	RMB'000	**2,010,435**	1,979,106
Gross profit margin	%	**51.7**	50.6
Operating profit margin	%	**12.8**	15.0
Net profit margin	%	**11.2**	17.0
Earnings per share – basic	RMB cents	**23.82**	25.03
– diluted	RMB cents	**23.82**	25.03
Dividend per share – interim	RMB cents	**3.00**	3.00
– final	RMB cents	**3.50**	3.50

		As at 31 December	
		2008	2007
Gearing ratio	%	**3.0**	1.5
Current ratio	times	**3.0**	6.9
Average trade receivables turnover period	days	**33.4**	34.9
Average trade payables turnover period	days	**44.1**	33.7
Average inventory turnover period	days	**138.1**	121.8

Note:

1. The significant increase in income tax expense was due to the expiration of a two-year exemption from corporate income taxes in 2006 and 2007 which will be followed by a 50% reduction in income tax from 2008 to 2010. New Belle Footwear (Shenzhen) Company Limited ("New Belle"), our major domestic operating unit, is incorporated in Shenzhen (a special economic zone where the local corporate income tax rate is 18% in 2008) and is subject to a corporate income tax rate of 9% in 2008. On the other hand, the income tax rate for the Group's newly acquired footwear businesses of Millie's, Senda and Mirabell and sportswear business in the mainland China is 25%.

2. Owing to the change in domestic corporate income tax rate and the absence of the one-off interest income of RMB364.2 millions earned from the tied-up fund during the listing in 2007, the profit attributable to equity holders increased by 1.6% to RMB2,010.4 million.

Dear Shareholders,

2008 was a year full of challenges for the consumer retail industry in China. This is also true for the business of the Group. First, at macroeconomic levels, the financial crisis and economic recession caused by the sub-prime crisis in the United States continue to expand and deteriorate. The economies of Hong Kong and Macau have been significantly impacted. The mainland also felt the pain, with significant slides in export and noticeable slowdowns in growth momentum. As a result disposable income and consumer confidence have been negatively affected. Second, natural disasters - snow storm, earth quake, prolonged heavy rain – caused unfortunate casualties and property damages, and at the same time had negative effects on consumer retail in the affected regions. Third, the Beijing Olympics were a great boost to the confidence of the Chinese people and their enthusiasm in sports. But at the same time the sportswear retail market experienced short term problems and difficulties because of unrealistically high expectations.

Even in such a difficult operating environment the Group still managed to achieve relatively steady growth, in line with our overall business targets formulated at the beginning of 2008. The main reasons for this achievement are on the one hand the timely and proactive actions taken by the management team and every employee, and on the other hand the competitive advantage of built-in flexibilities in our cost structure and operating model.

For the full year ended 31 December 2008 the Group recorded a growth of 53.0% in sales and 29.9% in operating profit as compared with the same period of last year. During the year there were 3,241 net additions to company-managed retail outlets, including the retail outlets acquired from Millie's, Senda and Mirabell. As at 31 December 2008, the Group's total number of company-managed retail outlets reached 9,384, of which 215 outlets are located in Hong Kong, Macau and Taiwan.

Looking forward, the Group will continue to strengthen the business of our core brands and achieve profitable growth. At the same time we will step up our efforts in integrating newly acquired businesses, further excavating hidden values in these new businesses and thus creating new growth drivers. I believe China is still in the starting phase of economic development and the upward medium and long term trend will not reverse itself. There will be plenty of opportunities for the Group and enough room for future growth. With distinct advantages such as a progressive management team, healthy finances, a flexible operating model, and brand management capabilities, the Group is well positioned to achieve great success in the future.

Tang Yiu
Chairman

24 March 2009

Dear Shareholders,

Overall revenue increased by 53.0% to RMB17,855.8 million in 2008 when compared with last year. The footwear business recorded revenue of RMB9,663.7 million, or 54.1% of overall business. The sportswear business recorded revenue of RMB8,192.1 million, or 45.9% of overall business. The percentage weightings of both segments are largely consistent with the prior year.

The existing core footwear business maintained steady growth at a fast pace, while improving gross margins and operating margins. Various business metrics of newly acquired businesses, including Millie's, Senda and Mirabell, are still not comparable with the core business and it takes time for them to reach optimal levels. Overall the business metrics of the footwear business have been fairly consistent with the prior year.

The sportswear business also achieved considerable revenue growth, but at a slower pace in the second half of 2008 than in the first half. The major reason is a change in growth strategy of the Group as a result of the current developments in the sportswear distribution market in China. Because of a weaker sportswear market, while there was a rise in gross margin, various business metrics such as operating expense ratios and operating margins deteriorated in 2008 when compared to the prior year. Although the profit contribution of the sportswear business is small we still expect the various measures we undertook since mid 2008 will have positive impacts in 2009 and thus help improve profitability.

As the chairman mentioned above, 2008 was an extraordinary year. Faced with the challenges from within and outside, we only became stronger and delivered satisfactory results.

I am pleased to report the results of the full year of 2008 as follows:

Results for the Full Year of 2008

Revenue increased by 53.0% to RMB17,855.8 million. The footwear and sportswear segments recorded similar revenue growth. Acquisitions contributed to part of the growth in the footwear business, while the growth in the sportswear business was mainly due to organic growth.

Operating profit was RMB2,279.3 million, an increase of 29.9% from the prior year. The increase is mainly due to a larger revenue base in both footwear and sportswear segments. Net profit attributable to shareholders amounted to RMB2,010.4 million, an increase of 1.6%. The slight increase in net profit is mainly due to a higher effective tax rate in 2008 (see below for details), and also the absence of the one-off interest income earned from the tied-up fund during the listing in 2007.

Earnings per share amounted to RMB23.82 cents and the board of directors (the "Board") has recommended to declare a final dividend of RMB3.5 cents per share. Together with the interim dividend of RMB3 cents per share (paid on 21 October 2008), the total dividend for the year ended 31 December 2008 will amount to RMB6.5 cents per share (2007: RMB6.5 cents).

Summary of the Overall Business Development Strategy of the Group

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

Footwear Business

Company-owned brands include Belle, Staccato, Tata, Teenmix, Fato, JipiJapa, Millie's, Senda, Basto, Joy & Peace and Mirabell, etc. Distribution brands include Bata, BCBG, Elle, Scholl, Fiorucci, Clarks, Mephisto, Merrell, Sebago, Caterpillar and Geox, 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 carries on the business via two different models, licensed brands and retail distribution.

Based on our in-depth understanding of the target segments the Group operates in, we have been continuously growing existing core brands, acquiring new businesses and brands with great potential, and at the same time negotiating distribution rights for high-end international brands. Now we have largely completed the brand coverage in the middle-end and high-end footwear markets, as well as the formal and casual footwear markets. We are going to take measured steps going forward to achieve sustainable growth in the next few years, on the back of steady growth of existing businesses and rapid development of new businesses.

Sportswear Business

The majority of our sportswear business is in the form of distribution business, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands Reebok, PUMA, Mizuno, Converse, LiNing and Kappa. As one of the largest distributors of Nike and Adidas in the mainland China with a fairly high market share we now focus mainly on optimizing store mix, improving operating efficiency and enhancing profitability.

Apart from the distribution and retailing of major international sportswear brands, we are also in the process of developing company-owned brands as a key component of the Group's long term strategy in the sportswear business. Through a subsidiary the Group acquired the trademark ownership of Fila, an established international sportswear brand, in the mainland China, Hong Kong and Macau. To lay down a solid foundation for long term growth of this business we are currently actively engaged in finalizing the positioning of the brand and building the R&D team.

Footwear Business

Overview of Footwear Business

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

	Year ended 31 December				
	2008		2007		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**8,826.4**	**91.4%**	5,870.4	94.7%	50.4%
Distribution brands	**697.4**	**7.2%**	151.8	2.4%	359.4%
Sub-total	**9,523.8**	**98.6%**	6,022.2	97.1%	58.1%
OEM	**139.9**	**1.4%**	179.7	2.9%	-22.1%
Total	**9,663.7**	**100.0%**	6,201.9	100.0%	55.8%

Unit: RMB million

* *Joy & Peace, formerly classified as a distribution brand, is reclassified as a company-owned brand after the acquisition of Mirabell.*

** *Certain footwear retail outlets are classified under company-owned brands but products sold in those outlets comprise both company-owned brands and distribution brands. To facilitate classification, the presentation of revenue is based on the classification of retail outlets.*

Sportswear Business

Overview of Sportswear Business

The table below sets out the revenue from our first-tier sportswear brands, second-tier sportswear brands as well as other sportswear business (including the apparel business) and their respective percentages of total revenue and comparative growth rates for the years indicated.

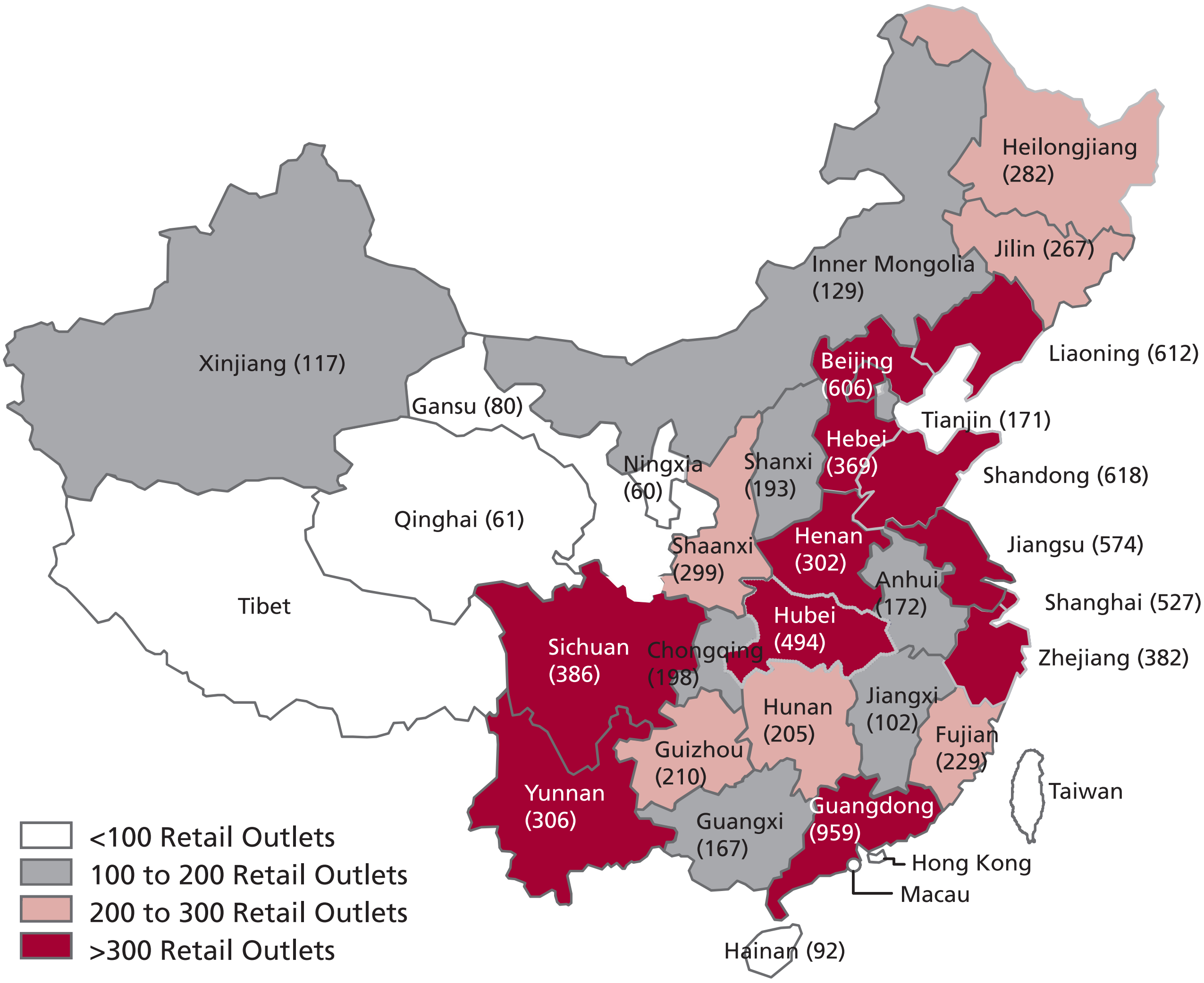
	Year ended 31 December				
	2008		2007		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands#	**6,713.0**	**82.0%**	4,731.5	86.5%	41.9%
Second-tier sportswear brands#	**1,409.9**	**17.2%**	684.7	12.5%	105.9%
Other sportswear business	**69.2**	**0.8%**	53.8	1.0%	28.6%
Total	**8,192.1**	**100.0%**	5,470.0	100.0%	49.8%

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 brands include Nike and Adidas. The second-tier sportswear brands include Fila, Reebok, PUMA, Kappa, Mizuno, Converse and LiNing.*

Expansion of Company-Managed Retail Network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in the mainland China as at 31 December 2008.



The following table sets out the distribution of our company-managed retail outlets by regions and business segments in the mainland China as at 31 December 2008.

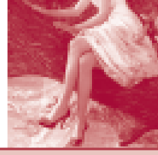
	Number of Company-managed retail outlets							
	Footwear			Sportswear				
Region	Company-owned brands	Distribution brands	Sub-total	First-tier brands	Second-tier brands	Apparel	Sub-total	Total
Eastern China	957	171	1,128	392	135	—	527	1,655
Northern China	980	106	1,086	270	89	23	382	1,468
Southern China*	859	77	936	234	133	—	367	1,303
North-eastern China	644	60	704	272	185	—	457	1,161
Shandong and Henan	389	21	410	270	240	—	510	920
Central China	423	45	468	118	113	—	231	699
North-western China	367	25	392	116	109	—	225	617
South-western China	391	23	414	158	18	—	176	590
Yunnan and Guizhou	249	17	266	114	130	—	244	510
Guangzhou*	231	15	246	—	—	—	—	246
Total	5,490	560	6,050	1,944	1,152	23	3,119	9,169

Remarks:

* *Sportswear: Guangzhou and Southern China are grouped under Southern China.*

** *Joy & Peace, formerly classified as a distribution brand, is reclassified as a company-owned brand after the acquisition of Mirabell.*

*** *In addition, the Group operates 215 company-managed outlets in Hong Kong, Macau and Taiwan.*



Overview of the Market and Management Discussions

Impact of the Macroeconomic Environment on the Group's Business

2008 was a year of significant fluctuations in macroeconomic environment, both abroad and domestic. The global financial tsunami caused a series of issues and as a result the economies of the mainland China, Hong Kong and Macau were all affected. Although the Chinese economy managed to achieve a decent GDP growth rate of 9% for the year, there was a noticeable slowdown in growth momentum in the second half especially the fourth quarter. A slide in export had significant impacts on certain regions in China. At the same time domestic stock markets and real estate markets remained weak, which negatively affected consumer confidence and disposable income. Under these difficult macroeconomic situations various businesses of the Group were impacted as well although to different extents.

Footwear Business

Despite all the difficulties experienced in 2008, our footwear business, core business of the Group, still managed to achieve relatively steady growth. Major business metrics did not deteriorate in any significant way. The resilience exhibited in the footwear business is on the one hand due to our built-in flexibilities, i.e. a cost structure that is largely variable and a fast responding inventory system based on the vertical integration model, and on the other hand due to the accumulated experience of our managers at all levels as well as our forward looking managerial style.

The resilience also reinforced our long-standing faith in the Chinese footwear market. The urbanization and modernization process will be a long term irreversible transformation in China. With very low penetration in consumption, the footwear market will experience a persistent upward trend in the long haul. Fluctuations will be unavoidable along the way. Only strong businesses with superior managerial capabilities and unyielding flexibility will be able to fully exploit the long term potential of this market and achieve sustainable growth.

Sportswear Business

The sportswear market experienced some difficulties in 2008. The main reason is because expectations were too high versus intrinsic demand growth, which resulted in temporary problems such as overly aggressive network expansion and over ordering. The whole industry was under pressure in terms of inventory levels and profitability.

With our advantages in business philosophy and managerial strength, the Group was early in recognizing the changes in market conditions and took actions to adjust in a timely manner. First, we set a lower growth target in line with reality and shifted our managerial focus from top-line growth to profitability. Second, we scaled back on the less profitable second-tier sports brand business. Based on reasonable evaluations of each and every store we actively engaged in adjusting and optimizing the retail network composition. Because of the timely adjustment process the inventory situation of the Group was better than industry average. Overall profit recorded a net increase from the prior year.

The Group believes the impact of the Beijing Olympics on the future development of the sportswear market in China will be profound and long lasting. The Olympics brought about increased awareness of sports among Chinese consumers and helped transform their consumption attitude toward sportswear products, which would in turn help promote sustained sales growth in the sportswear market.

Hong Kong Business

As a mature economy Hong Kong is highly exposed to external factors and thus was significantly impacted by the global financial tsunami. GDP growth in the fourth quarter of 2008 was negative and the outlook for 2009 is not optimistic.

Hong Kong represents a very small portion of our existing business, at about 2%. However, the newly acquired Millie's and Mirabell businesses had considerable sales originating from Hong Kong. As a result our business in Hong Kong as a percentage of overall business was noticeably higher in 2008 compared with the prior year. The business model in Hong Kong is different from that in the mainland China. Operating leverage is a lot higher with fixed rent and fixed staff cost, at significantly higher levels than in the mainland. When the overall economy was sliding, sales targets became unachievable and operating losses were inevitable. At the same time, unlike the vertical integration and fast responding inventory model in our existing business, the newly acquired businesses mentioned above operated mainly on an outsourcing model, which resulted in reduced flexibility in inventory management. With the sudden shock Hong Kong experienced during the financial crisis, temporary inventory risk became unavoidable.

As mentioned above, the reason why the Group acquired Millie's and Mirabell was rooted in our strategic formation of brand portfolios in the middle-end and high-end footwear markets, as well as their future potential in the mainland China. The temporary difficulties in the Hong Kong business have not changed our long term confidence in these newly acquired businesses. We believe through continued integration we will be able to strengthen the flexibility and adaptability of the newly acquired businesses by implanting a fast responding inventory system. In the foreseeable future, the risk of sudden drops in Hong Kong economy and the resulting negative impacts on our inventory management in Hong Kong is relatively low. We also firmly believe Hong Kong will continue to be a global and regional financial center and trade hub with strong economic vigor. Recovery is only a matter of time.

Changes in the Group's Overall Business Structure

Revenue from the sportswear business of the Group contributed to 45.9% of the total revenue of the full year of 2008, largely consistent with the percentage contribution in year 2007. But the weight is lower than the 48.3% level in the first half of 2008. This is on the one hand due to our adjustments to the growth strategy in sportswear business, and on the other hand due to increased growth brought about by newly acquired footwear businesses. The trend is consistent with our long term strategy to maintain the footwear business as our core business. With further increases of the footwear business as a percentage of the overall group, various profitability metrics of the overall business will improve along the way.

For the footwear business, with the acquisitions since the IPO, there have been corresponding changes in the Group's footwear business structure. For those new additions in the middle-end brands such as Senda and Basto, profitability and inventory turnover efficiency have been improved. Meanwhile, we progressively added more mid-to-high-end brands on top of our existing footwear business and started to engage in the distribution of high-end casual brands. Accordingly, revenue from middle-end brands including Senda and Basto and that from the high-end brands mentioned above is expected to take up a larger share in our footwear business. As a result of the structural changes, inventory turnover days of the Group's footwear business are expected to increase slightly in the near term. Operating margins are also expected to be negatively affected.

For the sportswear business, the Group's second-tier sports brands represented 17.2% of overall sportswear business, higher than the 12.5% weighting in 2007 but slightly lower than the 17.9% weighting in the first half of 2008. On the back of our adjustments to the growth strategy underway the contribution from second-tier sports brands will continue to edge lower. Because second-tier sports brands have lower profitability and inventory turnover efficiency than first-tier sports brands, this shift in business composition will help enhance the profitability and efficiency of the Group's overall sportswear business.

As for regional mix, because there is more potential in the mainland China in terms of network expansion and organic growth we expect revenues from Hong Kong will take up a smaller share of overall business in the foreseeable future.

Changes in Corporate Income Tax Rate

The taxation environment for the Group changed substantially in 2008 after the implementation of the new domestic corporate income tax act, as compared with the prior year. As reflected in the financial statements, operating profit increased significantly from the prior year but net profit did not grow at the same rate. Changes in effective tax rates of the Group are outlined as follows:

For the footwear business, a substantial portion of the business, which refers to the business being operated under New Belle, was entitled to a two-year exemption of corporate income taxes in 2006 and 2007 which would be followed by a 50% reduction in local corporate income taxes for the ensuing three years, namely 2008, 2009 and 2010. As New Belle is incorporated in Shenzhen (a special economic zone with local corporate income tax rates being 18%, 20% and 22% for the years 2008, 2009 and 2010, respectively), the corporate income tax rates for New Belle for the years 2008-2010 become 9%, 10% and 11%, respectively. The corporate income tax rate for the Group's newly acquired footwear businesses of Senda, Millie's and Mirabell in the mainland China is 25%.

For the sportswear business, the corporate income tax rate in some regions was 33% and 15% for other regions (including the Shenzhen Special Economic Zone) in the years 2006 and 2007. The average corporate income tax rate for our sportswear business was approximately 25%. There was no significant impact on the overall effective corporate income tax rate for our sportswear business as a result of the new domestic corporate income tax rate of 25% in 2008.

In the next two years we expect the effective tax rate for the Group will be consistent with that of 2008. We will continue to work with government bodies and taxation agencies at various levels and actively seek preferential tax treatments on a reasonable and practical basis, under conditions of promoting employment and developing local economies.

Integration of Newly Acquired Businesses

For Senda, the largest acquisition since the IPO of the Group, we have largely completed the integration process successfully. Currently the Senda brands are in the process of rapid network expansion. We expect significant growth in sales volume from Senda and Basto brands in the near future.

For Millie's and Mirabell the integration of regional sales network, management team as well as the IT system is almost complete. The next step is to revamp their supply chain models and improve inventory management efficiency. On company-owned brands we plan to implement a vertical integration model and achieve lean sales management. On distribution brands we plan to aggressively develop their business in the mainland China with the Group's channel management capabilities.

We expect the economies of scale and synergies resulted from the completion of internal integration and network expansion will have noticeable impacts on operating metrics and financial measures within a time horizon of two to three years.

Plans for New Production Facilities

The Group plans to add a new production base in Suzhou City, Anhui Province. The project is expected to be completed in five years. The plan is consistent with the long term trend of regional shifts in manufacturing industries from the coastal area to inland areas, along with the shifts in comparative cost advantage and policy support. This is also consistent with the Group's long term strategy to control costs and maintain competitive leadership.

Prospect

The economic difficulties caused by the global financial tsunami will not end overnight. But as in every other crisis there are opportunities side by side with challenges. To the Group, ongoing adjustments in the economy will be a welcoming challenge to make our team stronger and at the same time allow us to slow down and look back. This is an opportunity for us to review and study rooms for improvements in daily management and make realistic changes to business strategies. We believe this adjustment process will help build a solid foundation for long term steady growth.

Outlook for 2009

The Group expects revenue growth in 2009. The rapid expansion of the retail network in 2008 from both organic growth and also acquisitions will be the foundation for revenue growth in the next few years especially 2009. New and quasi-new stores we opened in 2008 are coming into maturity, providing the main driver of revenue growth in both footwear and sportswear segments.

We will continue to strengthen the existing core brands in the footwear business. In 2009 we are going to take measured steps to further expand the store network for these brands, with a focus on second-tier and third-tier cities where penetration is low. We will not change our long-standing operating model in which we only produce what sells. And we have already made the transition in managerial focus from top-line growth to profitable growth. On the back of our operating efficiencies, flexible inventory system, and small batch production model the Group is confident that we are well positioned to maintain inventory efficiency and as a result achieve reasonably high gross margins. In channel management we will continue to strengthen the cooperative relationship with department stores, our major business partners in retailing. We expect reasonable commercial promotions together with our partners on the basis of mutual benefits in order to achieve revenue growth and at the same time maintain current operating expense levels.

The newly acquired footwear businesses will speed up network expansion in 2009 once internal integration is completed. Middle-end brands such as Senda and Basto and higher-end businesses such as Millie's and Mirabell all have different positioning than existing core brands. New channel space for these brands will be mainly coming from additional department stores or counters originally held by competitors, without increasing internal competition of existing brands.

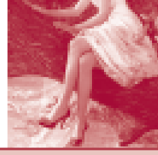
The sportswear business will continue the adjustments to growth strategy from mid-year 2008, shifting from revenue-driven growth to profitable growth. We will continue the process of adjusting store mix, replacing nonperforming stores with high yielding stores. With improved average sales per store we expect to achieve higher levels of profitability.

Medium and Long Term Prospect

Longer term there is considerable room for future development of the Group's business.

The existing footwear business will continue to increase its coverage, especially in second-tier and third-tier cities where penetration is low, on the back of the irreversible economic development and urbanization in China.

Formal footwear brands from newly acquired businesses still have much lower store network coverage compared with existing core brands with similar price points, signaling great untapped potential for these new brands. Senda, as the number one men's footwear brand in China, will bring about differentiation and supplementation to our core ladies' footwear brands and as such there is great potential for growth. The Group recently entered into the distribution of international casual footwear brands through acquisitions and also through direct commercial dealings. This segment is only in an infant stage in China. Disposable income of the Chinese people keeps rising and significant changes in life style are underway. The future growth potential of this segment is without limits.



The long term prospect for the sportswear business is still optimistic despite temporary difficulties. Market penetration is low compared with international standards, leaving significant room for improvement. There are also favorable factors gradually developing in the competitive landscape. Some competitors are weakening. Barriers to entry are increasing. The leadership role of the Group as one of the largest distributors in the sportswear market is strengthening. We are also gaining a more distinct competitive edge with our advantages in managerial capabilities.

The long term trend of the Chinese economy is not changing. There will be reasonably high growth going forward because of strong drivers from within the economy. Various measures by the government, including fiscal, monetary, and industrial policies, will begin to have a positive impact on the economy. After experiencing the challenges of a chilly climate we only became stronger, and more agile. With strong managerial systems and prudent business strategies the Group will continue to achieve sustainable growth and maintain our leadership in the industry.

Sheng Baijiao
CEO and Executive Director

24 March 2009

Financial Review

The Group continued to benefit from fast growth. During the year ended 31 December 2008, the Group recorded revenue and operating profit of RMB17,855.8 million and RMB2,279.3 million respectively, achieving growth rate of 53.0% and 29.9% respectively. Owing to the change in domestic corporate income tax rate and the absence of the one-off interest income of RMB364.2 million earned from the tied-up fund during the listing in 2007, the profit attributable to the Company's equity holders increased by 1.6% to RMB2,010.4 million.

Revenue

The Group's revenue increased by 53.0% to RMB17,855.8 million in 2008 from RMB11,671.9 million in 2007. This was mainly attributable to the continually steady growth of sales generated from the footwear business and the increase in contribution of the sportswear business as compared with last year. Sales from footwear business and sportswear business increased by RMB3,461.8 million and RMB2,722.1 million respectively, from RMB6,201.9 million and RMB5,470.0 million in 2007 to RMB9,663.7 million and RMB8,192.1 million in 2008.

	Year ended 31 December				
	2008		2007		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear *(note (a))*					
Company-owned brands	**8,826.4**	**49.4%**	5,870.4	50.3%	50.4%
Distribution brands	**697.4**	**3.9%**	151.8	1.3%	359.4%
OEM	**139.9**	**0.8%**	179.7	1.5%	-22.1%
	9,663.7	**54.1%**	6,201.9	53.1%	55.8%
Sportswear *(note (b))*					
First-tier sportswear brands	**6,713.0**	**37.6%**	4,731.5	40.5%	41.9%
Second-tier sportswear brands	**1,409.9**	**7.9%**	684.7	5.9%	105.9%
Other sportswear business	**69.2**	**0.4%**	53.8	0.5%	28.6%
	8,192.1	**45.9%**	5,470.0	46.9%	49.8%
Total	**17,855.8**	**100.0%**	11,671.9	100.0%	53.0%

Unit: RMB million

Note:

(a) Joy & Peace, formerly classified as a distribution brand, is reclassified as a company-owned brand after the acquisition of Mirabell.

Certain footwear retail outlets are classified under company-owned brands but products sold in those outlets comprise both company-owned brands and distribution brands. The presentation of revenue is based on the classification of retail outlets.

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

The first-tier sportswear brands include Nike and Adidas. The second-tier sportswear brands include Fila, Reebok, PUMA, Kappa, Mizuno, Converse and LiNing.

Profitability

On account of the continuous growth of the Group's businesses, the operating profit increased by 29.9% to RMB2,279.3 million. Owing to a change in domestic corporate income tax rate and in the absence of the one-off interest income of RMB364.2 million earned from the tied-up fund during the listing in 2007, the profit attributable to the Company's equity holders slightly increased by 1.6% to RMB2,010.4 million.

	Year ended 31 December					
	2008		2007		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Revenue	**9,663.7**	**8,192.1**	6,201.9	5,470.0	55.8	49.8
Cost of sales	**(3,394.1)**	**(5,233.3)**	(2,244.5)	(3,524.9)	51.2	48.5
Gross Profit	**6,269.6**	**2,958.8**	3,957.4	1,945.1	58.4	52.1
Gross profit margin (%)	**64.9**	**36.1**	63.8	35.6		

Cost of sales increased by 49.5% from RMB5,769.4 million in 2007 to RMB8,627.4 million in 2008. The increase in cost of sales was in line with increase in sales.

Gross profit increased by 56.3% to RMB9,228.4 million in 2008 from RMB5,902.5 million in 2007. Gross profit in our footwear segment increased by 58.4% to RMB6,269.6 million in 2008 from RMB3,957.4 million in 2007 while gross profit in the sportswear segment increased by 52.1% to RMB2,958.8 million in 2008 from RMB1,945.1 million in 2007.

During the year, the gross profit margins of footwear business and sportswear business were 64.9% and 36.1% respectively. Compared to the last year, there are no material changes in the gross profit margins of footwear business and sportswear business. Owing to differences in the respective business models, sportswear products generally have lower gross profit margin than our footwear products. As the gross profit margin of both the footwear business and sportswear business have improved as compared to last year, and that there has been a change in the proportional sales of the Group between the footwear business and the sportswear business, the Group's gross profit margin as a whole increased to 51.7% in 2008 from 50.6% in 2007.

Selling and distribution expenses in 2008 amounted to RMB5,676.5 million (2007: RMB3,366.4 million), primarily consist of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retail outlets' decorations and advertising and promotional expenses. General and administrative expenses in 2008 amounted to RMB1,359.6 million (2007: RMB819.9 million), primarily consisting of management and administrative personnel salaries and depreciation charges on office premises and office equipment. Comparing to 2007, in term of percentage, both selling and distribution expenses and general and administrative expenses to sales was increased from 28.8% to 31.8% and from 7.0% to 7.6% respectively.

Finance income decreased to RMB72.6 million in 2008 from RMB502.2 million in 2007. The significant decrease is mainly due to the absence of the one-off interest income of RMB364.2 million earned from the tied-up fund during the listing in 2007.

During the year ended 31 December 2008, Renminbi appreciated against Hong Kong dollar by 5.75% and the Group recorded an exchange loss of approximately RMB61.5 million, primarily due to depreciation of non-RMB deposits held by the Group during the year of 2008. In view of expected appreciation of Renminbi, since July 2007, the Group entered into certain forward foreign exchange contracts with major and reputable financial institutions to manage foreign exchange risk on the unused IPO proceeds. During the year, the Group earned RMB38.1 million from the aforesaid foreign exchange contracts. As at 31 December 2008, no outstanding forward foreign exchange contracts were held by the Group. The Group also recognized RMB72.6 million and RMB29.7 million interest income and interest expense respectively. Earning from the forward foreign exchange contracts and net interest income amounted to RMB81.0 million, which was well offset against the exchange loss for the year.

Income tax expense in 2008 amounted to RMB257.6 million (2007: RMB43.2 million). The significant increase was due to the expiration of a two-year exemption from corporate income taxes in 2006 and 2007 which will be followed by a 50% reduction in corporate income tax from 2008 to 2010. New Belle, our major domestic operating unit, is incorporated in Shenzhen (a special economic zone where the local corporate income tax rate is 18% in 2008) and is subject to a corporate income tax rate of 9% in 2008. On the other hand, the income tax rate for the Group's newly acquired footwear businesses of Millie's, Senda and Mirabell and sportswear business in the mainland China is 25%.

Liquidity and Financial Resources

The Group maintains a strong and healthy balance sheet. Cash and cash equivalents as at 31 December 2008 fell 55.4% to RMB2,326.6 million from RMB5,213.2 million as at 31 December 2007. As at 31 December 2008, the working capital of the Group was RMB6,412.0 million, representing a decrease of 22.2% as compared to 31 December 2007. The decrease in cash and cash equivalents is primarily due to the payments of consideration for acquisitions of Millie's, Senda and Mirabell, amounting to RMB2,868.4 million .

As at 31 December 2008, the Group's current ratio was 3.0 times (31 December 2007: 6.9 times) and gearing ratio was 3.0% (31 December 2007: 1.5%) (Gearing ratio is calculated using the following formula: total borrowings / total assets). The Group's total borrowings as at 31 December 2008 increased by 151.7% to RMB503.4 million from RMB200.0 million as at 31 December 2007, mainly as a result of using Hong Kong dollar borrowings to settle a portion of acquisition considerations, and therefore resulted in an increase in gearing ratio.

During the year, net cash generated from operations amounted to RMB2,461.2 million, increased by 628.4%, from RMB337.9 million of last year. This reflects the Group's ability to generate solid earnings.

Net cash used in investing activities for the year ended 31 December 2008 was RMB4,923.7 million (2007: RMB2,452.9 million). During the year, the Group invested approximately RMB2,868.4 million, RMB1,077.0 million, RMB371.9 million, RMB240.0 million and RMB401.0 million on acquisition of footwear businesses, purchase of property, plant and equipment (including retail outlets' decorations), payments for intangible assets and leasehold land and land use rights, net deposit in structured bank deposits, and deposit in term deposits with initial terms of over three months respectively.

During the year, net cash used in financing activities was RMB245.8 million (net cash generated in 2007: RMB7,240.6 million), mainly attributable to the 2007 final dividend payment of RMB295.4 million and the 2008 interim dividend payment of RMB253.2 million and partially offset by the increase in net bank borrowings of RMB312.6 million.

Pledge of Assets

As at 31 December 2008, no property, plant and equipment, leasehold land and land use rights and investment properties were pledged as security for banking facilities available to the Group (2007: RMB292.2 million).

Contingent Liabilities

As at 31 December 2008, the Group had no material contingent liabilities.

Use of Net Proceeds from the New Issue

The shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited on 23 May 2007, with a total number of offer shares of 1,370,733,000 shares (including shares issued as a result of the exercise of the over-allotment option), and the net proceeds from the new issue aggregated to approximately RMB8,014.6 million. Up to 31 December 2008, the net proceeds from the new issue have been utilized as follows:

- approximately RMB2,102.8 million used to implement our expansion plans which include acquiring companies or forming alliances with strategic partners;
- approximately RMB1,695.8 million used to expand our retail network for our footwear and sportswear businesses by opening new retail outlets and establishing new retail sports complexes;
- approximately RMB1,221.0 million used to expand our production and warehouse capacity, and office facilities and logistics centers in our head office and sales regions;
- approximately RMB1,200.0 million used to pay down the bank borrowings;
- approximately RMB230.6 million used to increase our promotional and marketing activities, as well as upgrade the brand image of our self-owned brands; and
- approximately RMB95.3 million used to establish research and development centers for our products, and to enhance our research and development ability.

As disclosed in the Listing Prospectus, the Group will continue to utilize the net proceeds from the new issue to finance our future development plans.

Subsequent Events

Other than those disclosed above, the Group had no other significant events taken place subsequent to 31 December 2008 until the date of this annual report.

Human Resources

As at 31 December 2008, the Group had a total of 70,635 employees (31 December 2007: 48,495 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.

The board of directors (the "Board") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2008.

Principal Activities

The principal activity of the Company is investment holdings. The principal activities and other particulars of the principal subsidiaries are set out in note 40 to the financial statements.

The analysis of the Group's performance by businesses and by geographical locations of the Group during the year are set out in note 5 to the financial statements.

Results and Dividends

The profit of the Group for the year ended 31 December 2008 and the financial position of the Group and of the Company as at that date are set out in the financial statements on pages 40 to 110.

The Board declared on 10 September 2008 an interim dividend of RMB3 cents per share, totaling RMB253,240,000 and the interim dividend was paid on 21 October 2008.

The Board recommended the payment of a final dividend of RMB3.5 cents (equivalent to HK3.97 cents) per share in respect of the year ended 31 December 2008, totaling RMB295,198,000.

The translation of RMB into Hong Kong dollars is made for illustration purpose only, at the rate of HK$1.00=RMB0.88199. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be the official fixing exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China on 15 May 2009, being the date on which the dividend is proposed to be approved by the shareholders of the Company at its annual general meeting.

Closure of Register of Members

The dividend will be payable on or about 26 May 2009 to the shareholders whose names appear on the register of members of the Company on 15 May 2009. The register of members of the Company will be closed from Wednesday, 13 May 2009 to Friday, 15 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned proposed final 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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 12 May 2009.

Distributable Reserves

As at 31 December 2008, distributable reserves (including share premium and retained earnings) of the Company amounted to RMB10,380,802,000 (2007: RMB9,920,155,000). The movements on distributable reserves during the year are set out in notes 33 and 34 to the financial statements.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 56.7% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 27.6% of the Group's purchases.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major suppliers.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately RMB1,077.0 million (2007: RMB878.3 million). Details of the movements in property, plant and equipment are set out in note 16 to the financial statements.

Share Capital

During the year, the Company has repurchased a total of 7,100,000 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at an aggregate consideration of HK$40.3 million (equivalent to RMB35.5 million). Details of the movements in share capital of the Company during the year are set out in note 33 to the financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands where the Company is incorporated.

Directors

The Directors during the year and up to the date of this report were:

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

In accordance with article 87 of the Company's articles of association, Mr. Sheng Baijiao (an Executive Director), Ms. Tang Ming Wai (an Executive Director) and Mr. Chan Yu Ling, Abraham (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Sheng Baijiao and Mr. Chan Yu Ling is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting. In view of development of retail business in Hong Kong, Ms. Tang Ming Wai will not seek for re-election as Director due to her decision to devote her full attention to the management of human resources and finance division of the Group's business in Hong Kong, and shall resign as a Director of the Company with effect from the forthcoming annual general meeting.

The biographical details of the Directors and senior management as at the date of this report are set out in this report on pages 35 to 37.

The board of directors has proposed the appointment of Mr. Tang King Loy as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Tang King Loy are contained in the circular to shareholders and notice of annual general meeting dated 15 April 2009 despatched to shareholders of the Company together with this report.

Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company on 27 April 2007 for a term of three years commencing on 1 May 2007, subject to termination before expiry by either party giving not less than three months' notice in writing to the other, expiring not earlier than the end of the first year after the date on which the shares of the Company are listed on the Stock Exchange. The emoluments specified in the service contract appointing an Executive Director consist of basic salary (which is subject to annual review of the Board and remuneration committee), mandatory retirement fund contributed by the Group and a discretionary bonus as may be decided by the Board and remuneration committee at their discretion. Emoluments are determined with reference to the job responsibility of the Executive Director, prevailing market rate for his position in the Group, together with a discretionary bonus based on his performance.

Each of the Non-executive and Independent Non-executive Directors has entered into a service contract with the Company on 27 April 2007 for an initial term of one year commencing on 1 May 2007, and shall continue thereafter for successive period of one year subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing. The emoluments payable to an Independent Non-executive Director are determined with reference to his job responsibility and prevailing market rate for his position.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2008, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFC or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

(i) Interests in issued shares of the Company

Name of Director	**Capacity/ Nature of Interest**	**Number of shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Mr. Tang Yiu	Interest in controlled corporation *(Note 2)*	2,865,625,000 (L)	33.98%
	Interest in controlled corporation *(Note 3)*	183,169,000 (L)	2.17%
	Interest in controlled corporation *(Note 4)*	337,500,000 (L)	4.00%
Mr. Sheng Baijiao	Interest in controlled corporation *(Note 5)*	694,675,000 (L)	8.24%
	Interest in controlled corporation *(Note 6)*	25,000,000 (L)	0.30%
	Beneficial Interest	75,000,000 (L)	0.89%

Notes:

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

(2) These ordinary shares of HK$0.01 each ("Shares") are held by Profit Leader Holdings Limited ("Profit Leader"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang Yiu ("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 ("Golden Coral") is interested in 38.9% of the issued share capital of Profit Leader.

(3) 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.

(4) These Shares are held by High Summit Group Limited ("High Summit"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang is interested in the entire issued share capital of High Summit.

(5) 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.

(6) These Shares were held by Best Castle Group Limited ("Best Castle"), a limited liability company incorporated in the British Virgin Islands. Mr. Sheng was interested in the entire issued share capital of Best Castle.

(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" below.

Apart from the foregoing, none of the Directors 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 for Securities Transactions by Directors of Listed Issuers.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2008, the interests or short positions of the persons, other than Directors and chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

Name of shareholders	**Capacity/Nature of Interest**	**Number of shares** *(Note 1)*	**Approximate percentage of interest in the Company**
Handy	Beneficial Interest	694,675,000 (L)	8.24%
Essen Worldwide Limited	Beneficial Interest	689,700,000 (L)	8.18%
Profit Leader	Beneficial Interest	2,865,625,000 (L)	33.98%
Merry Century	Interest in controlled corporation *(Note 2)*	2,865,625,000 (L)	33.98%
Golden Coral	Interest in controlled corporation *(Note 2)*	2,865,625,000 (L)	33.98%
Ms. WS Tang	Interest in controlled corporation *(Note 2)*	2,865,625,000 (L)	33.98%
JPMorgan Chase & Co.	Interest in controlled corporation *(Note 3)*	586,134,311 (L) 1,325,000 (S) 121,151,826 (P)	6.95% 0.02% 1.44%

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) 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 of underlying shares of the Company as at 31 December 2008.

Notes:

(1) The letters "L" and "S" denote a long position and short position in the Shares, respectively, and the letter "P" denotes a lending pool in the Shares.

(2) 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 is interested in 38.9% of the issued share capital of Profit Leader.

(3) JPMorgan Chase & Co. was interested in 4,743,404 Shares, 460,239,081 Shares and 121,151,826 Shares in its capacity as beneficial owner, investment manager and custodian corporation/ approved lending agent, respectively. JPMorgan Chase & Co. was interested in such Shares through its interests in controlled corporations. Of these shares, 123,854,826 Shares were held by JPMorgan Chase Bank, N.A., 319,121,081 Shares were held by JF Asset Management Limited, 4,743,404 Shares were held by J.P. Morgan Whitefriars Inc., 11,128,000 Shares were held by J.P. Morgan Investment Management Inc., 63,146,000 Shares were held by JF Asset Management (Singapore) Limited, 25,244,000 Shares were held by JPMorgan Asset Management (UK) Limited, 17,877,000 Shares were held by JF Asset Management (Taiwan) Limited, 21,020,000 Shares were held by China International Fund Management Ltd, all of which were either controlled by, or indirectly controlled corporations of, JPMorgan Chase & Co.. JPMorgan Chase & Co. also had short position of 1,325,000 Shares in the capacity as beneficial owner. Such short position in Shares was held by J.P. Morgan Structured Products B.V., which was indirectly controlled corporation of JPMorgan Chase & Co..

Share Option Scheme

The Company adopted its share option scheme pursuant to shareholders resolution passed on 27 April 2007 (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 calibres 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 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 "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, advisor, 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 has contributed or will contribute to the Group (collectively "Qualified Participants").

The Share Option Scheme shall be valid and effective for 10 years from the date on which the shares of the Company first commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme or 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 as of the Listing Date, unless such scheme mandate limited is renewed by shareholders of the Company in a general meeting

As at the date of this annual report, no options have been granted under the Share Option Scheme.

Apart from the foregoing, at no time during the year was the Company, or any of its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Sufficiency of Public Float

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

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a director of the Company had a material interest, were subsisting during or at the end of the financial year ended 31 December 2008.

Bank Borrowings

Particulars of bank borrowings of the Company and of the Group as at 31 December 2008 are set out in note 32 to the financial statements.

Connected Transactions

The related party transaction disclosed in Note 36(a)(iii) to the consolidated financial statements constituted a connected transaction under the Listing Rules. The Company has complied with the disclosure requirements in respect of the transaction in accordance with Chapter 14A of the Listing Rules. The details are disclosed as follows:

On 22 February 2008, Belle Group Limited ("BGL") (a wholly-owned subsidiary of the Company) sent an offer letter to inform Mirabell International Holdings Limited ("Mirabell International") that BGL was considering making a proposed voluntary conditional cash offer to acquire all of the issued and to be issued shares in the share capital, and for the cancellation of all the outstanding share options, of Mirabell International (the "Offer").

As at 28 February 2008, being the date on which the joint announcement for the Offer was made, Mr. Tang Yiu's cousins, Mr. Tang Keung Lam and Mr. Tang Wai Lam, and together with their related parties (including Madam Tso Lai Kuen, the spouse of another brother of Mr. Tang Keung Lam and Mr. Tang Wai Lam, and the entities controlled by them, being Tang's Enterprises Limited, Rich Land Property Limited, Kinlington Agents Limited and Mosman Associates Limited) (collectively the "Mirabell Controlling Shareholders") were interested in 164,925,000 shares of Mirabell International, representing approximately 62.87% of its issued share capital. The Mirabell Controlling Shareholders had on 28 February 2008 executed an irrevocable undertaking (the "Irrevocable Undertaking") in favour of the Company and BGL, pursuant to which the Mirabell Controlling Shareholders undertook to accept the Offer in respect of all the shares of Mirabell International collectively held by them as at the date of the Irrevocable Undertaking.

Pursuant to the Listing Rules, Mr. Tang, being an Executive Director, the Chairman and a controlling shareholder of the Company, is a connected person of the Company. Mr. Tang Keung Lam and Mr. Tang Wai Lam are both cousins of Mr. Tang Yiu and Madam Tso Lai Kuen is the spouse of another brother of Mr. Tang Keung Lam and Mr. Tang Wai Lam. Hence, Mr. Tang Keung Lam and Mr. Tang Wai Lam are associates of a connected person of the Company and were therefore connected persons of the Company.

On 15 May 2008, pursuant to the Irrevocable Undertaking and as part of the Offer, BGL acquired from the Mirabell Controlling Shareholders 164,925,000 shares of Mirabell International then held by them at a total consideration of HK$989,550,000, based on the offer price of HK$6.00 for each share of Mirabell International. The Offer was closed on 23 May 2008, and Mirabell International has become a wholly-owned subsidiary of the Company since 18 September 2008, following the completion of the compulsory acquisition of all outstanding shares of Mirabell International by BGL.

Continuing Connected Transactions

Mirabell International Holdings Limited

The related party transactions disclosed in Note (b) of Note 39 to the consolidated financial statements constituted continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements in respect of the transactions in accordance with Chapter 14A of the Listing Rules. The details are disclosed as follows:

宏裕貿易（深圳）有限公司 (Hong Yu Trading (Shenzhen) Company Limited) ("Hong Yu") is a wholly-owned subsidiary of Mirabell International. Before the acquisition of Mirabell International by the Group pursuant to the Offer, Mirabell International was a company listed on the Stock Exchange and was held as to more than 50% by Mr. Tang Wai Lam and Mr. Tang Keung Lam (collectively "Mr. Tang's Cousins"), who are both cousins of Mr. Tang, and their related parties and associates collectively.

Pursuant to the Listing Rules, Mr. Tang, being an Executive Director, the Chairman and a controlling shareholder of the Company, is a connected person of the Company. Accordingly, by virtue of Rule 14A.11(4) of the Listing Rules, Mr. Tang's Cousins are also connected persons of the Company. On a strict interpretation of Rule 14A.11(4), the associates of Mr. Tang's Cousins (including Mirabell International and Hong Yu) should not be considered as connected persons. However, taking into account the spirit of Rule 14A.11(4) and the extent of control that Mr. Tang's Cousins were able to exercise in Mirabell International prior to the disposal of their interests in Mirabell International to the Group, the Directors considered it appropriate to voluntarily treat Mirabell International and Hong Yu as connected persons of the Company for the purpose of Chapter 14A of the Listing Rules. On 15 May 2008, pursuant to the Irrevocable Undertaking and as part of the Offer, the Mirabell Controlling Shareholders (including Mr. Tang's Cousins) transferred all the shares of Mirabell International held by them to the Group and ceased to have any interest in Mirabell International thereafter. Therefore, Mirabell International and Hong Yu were considered connected persons of the Company prior to 15 May 2008.

On 30 April 2007, New Belle Footwear (Shenzhen) Company Limited ("New Belle"), a wholly-owned subsidiary of the Company, entered into a license agreement (the "License Agreement") with Hong Yu. Pursuant to the License Agreement, Hong Yu, as the licensor, granted to New Belle an exclusive license of the right to use the "Joy & Peace" trademarks (the "License") in the mainland China, excluding Guangdong Province and Fuijian Province, for a term of three years commencing from 1 May 2007. The license fee payable by New Belle to Hong Yu under the License Agreement was HK$5,000 per month for each retail outlet carrying on retail sales of "Joy & Peace" branded products. During the period from 1 January 2008 up to 15 May 2008, being the date on which Hong Yu ceased to be a connected person of the Company, the license fee paid by the Group to Hong Yu amounted to approximately RMB2,870,000.

Fila Korea Limited and Fila Sport Limited

Full Prospect Limited ("Full Prospect") is a non-wholly owned subsidiary of the Company in which the Company is interested in 85% of its issued share capital on a fully converted basis. Fila Luxembourg S.a.r.l ("Fila Luxembourg"), a shareholder of Full Prospect, is interested in 15 class B convertible shares, representing 15% of the issued share capital of Full Prospect on a fully converted basis. Fila Korea Limited ("Fila Korea") is the ultimate holding company of Fila Luxembourg and Fila Sport Limited ("Fila Sport"). Therefore, Fila Korea, being a substantial shareholder of the Group, and Fila Sport, being an associate of the substantial shareholder of the Group, are connected persons of the Company within the meaning of the Listing Rules.

On 23 December 2007, Fila Marketing (Hong Kong) Limited and Speed Benefit Limited, both subsidiaries of the Company, entered into a master sales agreement with Fila Korea and Fila Sport, pursuant to which Fila Korea and Fila Sport have agreed to supply footwear products, sports/lifestyle apparels, bags and accessories and other ancillary products manufactured by or offered by Fila Korea, and its affiliates ("Fila Products") to the Group on a continuing basis. The payment terms of the individual transactions will be determined by the relevant contracting parties at the time of entering into the transactions with reference to factors such as the relevant transaction amount, nature and specification requirement for the particular transaction. For the year ended 31 December 2008, Fila Products in an aggregate amount of approximately RMB15,815,000 were purchased from Fila Korea and Fila Sport.

The related party transactions disclosed in Notes (a) and (c) of Note 39 to the consolidated financial statements constituted continuing connected transactions under the Listing Rules. The transactions were exempted from reporting and announcement requirements of the Listing Rules.

The Independent Non-executive Directors have reviewed the continuing connected transactions of the Group and have confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interest of shareholders of the Company as a whole.

Five-year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out as follows:

	2008	2007	2006	2005	2004
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**17,855,785**	11,671,858	6,238,560	1,731,833	870,508
Gross profit	**9,228,413**	5,902,466	3,500,745	957,145	211,966
Gross profit margin	**51.68%**	50.57%	56.11%	55.27%	24.35%
Operating profit	**2,279,303**	1,754,915	1,024,621	292,288	99,486
Operating profit margin	**12.77%**	15.04%	16.42%	16.88%	11.43%
Profit attributable to equity holders of the Company	**2,010,435**	1,979,106	976,569	234,865	75,056
Structured bank deposits, term deposits, bank balances and cash	**2,984,605**	5,213,167	302,095	235,904	63,147
Bank loans and overdraft	**503,448**	200,000	819,182	155,238	145,095
Total assets	**17,022,559**	13,539,243	4,445,172	1,600,641	636,551
Total liabilities	**3,591,208**	1,502,882	1,811,208	773,469	345,122
Total equity	**13,431,351**	12,036,361	2,633,964	827,172	291,429

Retirement Schemes

Particulars of the retirement schemes of the Group are set out in note 14 to the financial statements.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules, and considers all the Independent Non-executive Directors to be independent.

Auditor

PricewaterhouseCoopers retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Tang Yiu
Chairman

Hong Kong, 24 March 2009

The Board is committed to upholding a high standard of corporate governance and business ethics in the firm belief that they are essential for enhancing investors' confidence and maximizing shareholders' returns. The Board reviews its corporate governance practices from time to time in order to meet the rising expectations of stakeholders, comply with increasingly stringent regulatory requirements and fulfill its commitment to excellence in corporate governance.

During the year ended 31 December 2008, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as stated in Appendix 14 of the Listing Rules.

Board

The Board is charged with providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

The Board comprises four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. The Board has appointed two Board Committees, the Audit Committee and the Remuneration Committee, to oversee different areas of the Company's affairs. The composition of the Board and the Board Committees are given below and their respective responsibilities are discussed in this report.

Board of Directors	**Audit Committee**	**Remuneration Committee**
Executive Directors		
Mr. Tang Yiu (Chairman)	N/A	N/A
Mr. Sheng Baijiao (Chief Executive Officer)	N/A	√
Mr. Yu Mingfang	N/A	N/A
Ms. Tang Ming Wai	N/A	N/A
Non-executive Directors		
Mr. Gao Yu	N/A	N/A
Ms. Hu Xiaoling	N/A	N/A
Independent Non-executive Directors		
Mr. Ho Kwok Wah, George	√	N/A
Mr. Chan Yu Ling, Abraham	√	√
Dr. Xue Qiuzhi	√	√

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Directors and members of senior management. The Company maintains appropriate directors' and officers' liabilities insurance.

During the year, the Board convened a total of four Board meetings based on the need of the operation and business development of the Company. Details of attendance of the Board meetings and the Audit Committee and Remuneration Committee meetings are as follows:

	Meetings attended/held		
	Board	Audit Committee	Remuneration Committee
Mr. Tang Yiu (Chairman)	4/4	N/A	N/A
Mr. Sheng Baijiao (Chief Executive Officer)	4/4	N/A	1/1
Mr. Yu Mingfang	4/4	N/A	N/A
Ms. Tang Ming Wai	4/4	N/A	N/A
Mr. Gao Yu#	4/4	N/A	N/A
Ms. Hu Xiaoling#	4/4	N/A	N/A
Mr. Ho Kwok Wah, George*	4/4	4/4	N/A
Mr. Chan Yu Ling, Abraham*	3/4	3/4	1/1
Dr. Xue Qiuzhi*	3/4	3/4	1/1

Non-executive Directors

* *Independent Non-executive Directors*

The Board members have no financial, business, family or other material/relevant relationships with each other save that Mr. Tang is father of Ms. Tang Ming Wai ("Ms. MW Tang"). In the Board's opinion, this relationship does not affect the Directors' independent judgment and integrity in executing their roles and responsibilities. The Non-executive Directors and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

Each of the Independent Non-executive Directors has confirmed with the Company in writing his independence from the Company in accordance with Rule 3.13 of the Listing Rules. On this basis, the Company considers all such directors to be independent.

Biographical details of the Directors and senior management of the Company as at the date of this report are set out on pages 35 to 37 of this annual report.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

Appointment and Re-election of Directors

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering the appointment of new Directors. Currently, all Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of three years. The Board has proposed the appointment of Mr. Tang King Loy as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Tang King Loy are contained in the circular to shareholders and notice of annual general meeting dated 15 April 2009 despatched to shareholders of the Company together with this report.

In accordance with article 87 of the Company's articles of association, Mr. Sheng Baijiao (an Executive Director), Ms. Tang Ming Wai (an Executive Director) and Mr. Chan Yu Ling, Abraham (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Sheng Baijiao and Mr. Chan Yu Ling, Abraham is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting. In view of development of retail business in Hong Kong, Ms. Tang Ming Wai will not seek for re-election as Director due to her decision to devote her full attention to the management of human resources and finance division of the Group's business in Hong Kong, and shall resign as a Director of the Company with effect from the forthcoming annual general meeting.

Chairman and Chief Executive

The Chairman and the Chief Executive Officer of the Company are Mr. Tang and Mr. Sheng respectively. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The reasonable division of work under the laws ensures a definite division between power and obligations with clear-cut and efficient decisions and implementations by the Board and the management.

Audit Committee

We established an audit committee on 27 April 2007 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of three Independent Non-Executive Directors, Mr. Ho Kwok Wah, George (being the Chairman who has a professional qualification in accountancy), Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi. The primary duties of the Audit Committee are to assist the Board to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board of the Company.

The Audit Committee met four times in the year of 2008. Major work completed by the Audit Committee during the year includes:

- reviewing the Group's annual report, interim financial information and annual financial statements;
- reviewing accounting policies adopted by the Group and issues related to accounting practice;
- reviewing the external auditor's qualifications, independence and performance;
- reviewing the external auditor's management letter and the management's response;
- assisting the Board to evaluate on the effectiveness of financial reporting procedure and internal control system; and
- advising on material event or drawing the attention of the management on related risks.

Remuneration Committee

We established a remuneration committee on 27 April 2007 with written terms of reference in compliance with paragraph B.1 of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. The Remuneration Committee consists of three members, two of whom are Independent Non-Executive Directors, being Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi, and an Executive Director, Mr. Sheng Baijiao. The Remuneration Committee is chaired by Mr. Chan Yu Ling, Abraham. The primary duties of the Remuneration Committee include (but without limitation):

- making recommendations to the 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 developing 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 upon authorization by the Board of the Company.

The Remuneration Committee met once in the year of 2008. During the meeting, the Committee reviewed the remuneration policy of the Group for the year of 2008. All members of the Remuneration Committee attended the meeting.

Directors' and Auditor's Responsibilities for the Financial Statements

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 38 and 39.

Internal Control

The Board is responsible for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The Board convenes meetings with the Audit Committee to conduct regular reviews of the effectiveness of the internal control system of the Company and the Group. In respect of the year ended 31 December 2008, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, including the financial, operational and compliance controls, risk management functions, adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The directors are of the view that the existing system of internal control is effective and adequate to the Group.

Auditor's Remuneration

The remuneration charged by the Company's auditor, PricewaterhouseCoopers, and their affiliated firms, for statutory audit, audit-related and non-audit services is set out below:

	2008
	In RMB million
Audit services	8.0
Audit-related services	3.4
Non-audit services	0.1
Total	11.5

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its code of conduct of the Company for Directors' securities transactions. Following specific enquiry, each of the Directors confirmed that he has complied with the required standard as set out in the Model Code throughout the year.

The Company has also adopted a Code of Conduct for Securities Transactions by Specified Employees to govern securities transactions of those employees who may possess or have access to price sensitive information.

Social Responsibility

The Group is committed to being a successful and responsible corporate citizen. As such, we are committed not only to delivering quality products and service to our customers and strong and sustained financial performance to our shareholders. We are also committed to creating a positive impact in the communities where we conduct business. We aim to achieve this by, amongst others, ensuring that the workers producing our products are treated with fairness and respect; and at all times achieving our goals through environmentally friendly means.

Investor and Shareholder Relations

In the light of the good faith principle, the Company strictly complies with and implements the Listing Rules to disclose discloseable information on a true, accurate, complete and timely basis and all other information that might have significant impact on the decisions of shareholders and other concerned parties in an active and timely manner. Also, the Company takes effort in ensuring all shareholders with equal access to information. As such, the Company has honestly performed its statutory obligation in respect of information disclosure.

Through results presentation, press conference, teleconference and investors' call-in enquiries and visits, the Company takes initiatives for agreeable communications with investors to enable them to have a clear and in-depth understanding of the Company's business environment, operating strategies and prospects, whereby their sense of identity was strengthened. In delivering information to investors, the Company also listens to their advice and collects the feedback from them, aiming to form an interactive and mutual beneficial relation with the Company's investors.

Executive Directors

Mr. Tang Yiu ("Mr. Tang"), aged 74, is our Executive Director, Chairman of our Company and the founder of our Group. With over 31 years of experience in the footwear manufacturing industry, Mr. Tang is primarily responsible for our Group's overall strategic planning. He is currently the Chairman of The Federation of Hong Kong Footwear Limited, a committee member of the Chinese People's Consultative Conference in the Sanshui District of Foshan in the PRC and a committee member of the Unified Association of Kowloon West Limited. Mr. Tang has also been awarded with the Certificate of Foshan Honorary Citizenship by the Foshan Municipality in the PRC in November 2004. Mr. Tang is the father of Ms. MW Tang. Mr. Tang is holding an indirect controlling interest in Profit Leader Holdings Limited, a controlling Shareholder of the Company, and is the sole shareholder of Profit Discovery Limited and High Summit Group Limited, both Shareholders of the Company. Mr. Tang is also a director in each of Profit Leader Holdings Limited, Profit Discovery Limited and High Summit Group Limited.

Mr. Sheng Baijiao ("Mr. Sheng"), aged 56, is our Executive Director and the Chief Executive Officer of our Company. Mr. Sheng joined our Group in 1991 and has almost 20 years of experience in the footwear industry. Mr. Sheng is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Prior to joining our Group, Mr. Sheng worked at the China Merchants Shekou Industrial Zone Light & Textile Industries Development Company（招商局蛇口工業區輕紡開發公司）. Mr. Sheng is currently the Vice Chairman of the China Leather Industry Association（中國皮革工業協會）and the Chairman of the Shenzhen Leather and Shoes Association（深圳市皮革行業協會）. Mr. Sheng is interested in 56.4% of the issued share capital of Handy Limited and the entire issued share capital of Best Castle Group Limited, both Shareholders of the Company. Mr. Sheng is also a director of each of Handy Limited and Best Castle Group Limited.

Mr. Yu Mingfang ("Mr. Yu"), aged 50, is our Executive Director. Mr. Yu joined our Group in 2005 and has over 14 years of experience in the management of footwear retail business. Mr. Yu is primarily responsible for the operation management of our footwear retail business. He is currently a member of the Beijing Federation of Industry and Commerce（北京市工商聯合會）and the Beijing Chamber of Commerce（北京市商會）. Mr. Yu holds a degree in business administration from Beijing Administrative College（北京行政學院）and another degree in corporate management from the Capital University of Economics and Business（首都經濟貿易大學）.

Ms. Tang Ming Wai ("Ms. MW Tang"), aged 39, is our Executive Director. Ms. MW Tang joined our Group in 1998 and has more than 11 years of experience in finance and financial management. Ms. MW Tang is primarily responsible for overseeing the finance division of our Group's business in Hong Kong as well as the management of human resources. Ms. MW Tang graduated from the University of Texas at Austin in the United States with a Bachelor's degree in business administration. She is currently a director of The Federation of Hong Kong Footwear Limited. Ms. MW Tang is a daughter of Mr. Tang.

Non-executive Directors

Mr. Gao Yu ("Mr. Gao"), aged 35, is our Non-executive Director. Mr. Gao was appointed as a director of our Company in August 2006. He is currently an executive director of the Private Equity Division of Morgan Stanley Asia Limited, primarily focusing on private equity investment activities in China, and a non-executive director of China Dongxiang (Group) Co., Ltd., a listed company in Hong Kong. Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about five years. Mr. Gao has also worked in Donaldson, Lufkin & Jenrette's in New York. Mr. Gao graduated from Stanford University with a Master's degree in engineering-economic systems and operations research as well as from Tsinghua University in Beijing（北京清華大學）with dual Bachelor's degrees in engineering and economics.

Ms. Hu Xiaoling ("Ms. Hu"), aged 38, is our Non-executive Director. She was appointed as a director of our Company in September 2005 and is currently the managing director of CDH China Growth Capital Management Company Limited which is the management company of CDH China Growth Capital Fund II L.P.. Ms. Hu had previously worked in the direct investment department of China International Capital Corporation Limited and for Arthur Anderson. She is a Chinese certified public accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University (北京交通大學) previously known as Northern Jiaotong University (北方交通大學) with a Master's degree in economics and accounting and Bachelor's degree in economics.

Independent Non-executive Directors

Mr. Ho Kwok Wah, George ("Mr. Ho"), aged 50, is our Independent Non-executive Director, who was appointed as a director of our Company in October 2006. Mr. Ho has over 21 years of experience in accounting, auditing and financial management. Mr. Ho is a practicing certified public accountant in Hong Kong and is currently the proprietor of George K.W. Ho & Co., Certified Public Accountants. Mr. Ho is also currently a director of The Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. From 2001 to 2003, Mr. Ho was the president of The Hong Kong Institute of Accredited Accounting Technicians. Mr. Ho is currently an independent non-executive director and an audit committee member of Town Health International Holdings Limited, a listed company in Hong Kong.

Mr. Chan Yu Ling, Abraham ("Mr. Chan"), aged 48, is our Independent Non-executive Director. He was appointed as a director of our Company in October 2006. Mr. Chan is a chartered engineer in the United Kingdom, a professional engineer in Ontario, Canada and is currently the Chairman of PuraPharm Corporation Limited. Mr. Chan is also currently a member of the Institution of Structural Engineers in the United Kingdom, Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, the former President and Council Member of the Modernized Chinese Medicine International Association Limited, and a part-time member of the Central Policy Unit of The Government of Hong Kong Special Administrative Region. Mr. Chan graduated from the University of Toronto in Canada with a Bachelor's degree in applied science in 1982.

Dr. Xue Qiuzhi ("Dr. Xue"), aged 56, is our Independent Non-executive Director. He was appointed as a director of our Company in October 2006. Dr. Xue is currently an associate dean of the School of Management of Fudan University. Dr. Xue became a professor of Fudan University in 1996. Dr. Xue was the head of the Department of International Business Administration of Fudan University from 1993 to 1999, and the head of the Department of Business Administration at the same university from 1999 to 2003. Dr. Xue graduated from Wuhan University with a Bachelor's degree in economics in 1982 and obtained a Master's degree in political economics and a Doctoral degree in science and economics from the Universite Libre de Bruxelles in Belgium in 1984 and 1988, respectively.

Senior Management

Mr. Song Xiaowu ("Mr. Song"), aged 43, is our deputy general manager who is primarily responsible for the production management of our Group. Mr. Song joined our Group in 1993 and has over 14 years of experience in the production management of footwear. Mr. Song was also previously responsible for various production processes such as production, technology and quality control.

Ms. Li Zhao ("Ms. Li"), aged 51, is our deputy general manager who is primarily responsible for the sales division of our sportswear retail business. Ms. Li joined our Group in 1995 and has left our Group in 1997. She subsequently rejoined our Group in 2005. Prior to joining our Group, Ms. Li worked for Shekou Light & Textile Industries Industrial Development Company (蛇口輕紡工業開發公司) and China Textile Academy (中國紡織科學研究院). Ms. Li graduated from Donghua University (東華大學) with a Bachelor's degree in textile mechanical engineering. Ms. Li also holds a Master's degree in business administration from Shanghai Maritime University (上海海運學院) and a Master of Business Administration for Senior Management from the Shanghai Jiaotong University (上海交通大學).

Company Secretary

Mr. Leung Kam Kwan ("Mr. Leung"), FCPA, aged 44, is our company secretary and the chief financial manager. Mr. Leung joined our Group in September 2004. Mr. Leung has over 19 years of experience in accounting, financial management and internal control. Prior to joining our Group, Mr. Leung had held various senior positions at listed companies in Hong Kong and had previously worked for KPMG. Mr. Leung graduated from City University of Hong Kong with a Bachelor's degree in accounting. He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Institute of Chartered Secretaries.

Notes:

1 The Directors' interests in shares of the Company, if any, within the meaning of Part XV of the SFO as at 31 December 2008 are disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report.

2 Save as disclosed in the Directors' respective biographical details under "Biographical Data of Directors and Senior Management" section, the Directors (a) have not held any directorships in other publicly listed companies, whether in Hong Kong or overseas, during the last three years; and (b) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

3 In accordance with article 87 of the Company's articles of association, Mr. Sheng (an Executive Director), Ms. MW Tang (an Executive Director) and Mr. Chan (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Sheng and Mr. Chan is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting. In view of development of retail business in Hong Kong, Ms. MW Tang will not seek for re-election as Director due to her decision to devote her full attention to the management of human resources and finance division of the Group's business in Hong Kong, and shall resign as a Director of the Company with effect from the forthcoming annual general meeting.

4 The Board has proposed the appointment of Mr. Tang King Loy as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Tang King Loy are contained in the circular to shareholders and notice of annual general meeting dated 15 April 2009 despatched to shareholders of the Company together with this report.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

TO THE SHAREHOLDERS OF
BELLE INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 40 to 110, which comprise the consolidated and company balance sheets as of 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2008, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2009

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Revenue	5	**17,855,785**	11,671,858
Cost of sales		**(8,627,372)**	(5,769,392)
Gross profit		**9,228,413**	5,902,466
Selling and distribution expenses		**(5,676,469)**	(3,366,380)
General and adminstrative expenses		**(1,359,603)**	(819,941)
Other income	6	**18,231**	10,008
Other gains	7	**68,731**	83,390
Other expenses		**—**	(54,628)
Operating profit	8	**2,279,303**	1,754,915
Finance income		**72,552**	502,235
Finance costs		**(91,260)**	(235,333)
Finance (costs)/income, net	9	**(18,708)**	266,902
Profit before income tax		**2,260,595**	2,021,817
Income tax expense	10	**(257,558)**	(43,197)
Profit for the year	11	**2,003,037**	1,978,620
Attributable to:			
Equity holders of the Company		**2,010,435**	1,979,106
Minority interests		**(7,398)**	(486)
		2,003,037	1,978,620
Earnings per share for profit attributable to equity holders of the Company during the year	12		
– basic		**RMB23.82 cents**	RMB25.03 cents
– diluted		**RMB23.82 cents**	RMB25.03 cents
Dividends	13	**548,438**	548,687

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**2,225,763**	1,113,312
Leasehold land and land use rights	17	**1,437,124**	549,703
Investment properties	18	**22,458**	24,382
Intangible assets	19	**3,360,271**	1,114,102
Long-term deposits, prepayments and other non-current assets	21	**240,977**	1,053,055
Deferred income tax assets	22	**78,707**	37,493
		7,365,300	3,892,047
Current assets			
Inventories	23	**4,228,964**	2,281,651
Trade receivables	24	**1,864,861**	1,395,111
Other receivables, deposits and prepayments		**578,829**	317,899
Financial assets at fair value through profit or loss	25	**—**	396,703
Derivative financial instruments	26	**—**	42,665
Structured bank deposits	27	**249,333**	—
Term deposits with initial terms of over three months	28	**408,676**	—
Cash and cash equivalents	29	**2,326,596**	5,213,167
		9,657,259	9,647,196
Total assets		**17,022,559**	13,539,243

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**83,056**	83,126
Share premium		**9,214,078**	9,249,510
Reserves	34	**4,077,094**	2,640,794
		13,374,228	11,973,430
Minority interests		**57,123**	62,931
Total equity		**13,431,351**	12,036,361
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	**296,313**	52,322
Other non-current liabilities		**49,676**	47,293
		345,989	99,615
Current liabilities			
Trade payables	30	**1,459,169**	617,834
Other payables, accruals and other current liabilities	31	**980,246**	505,769
Short-term borrowings	32	**503,448**	200,000
Current income tax liabilities		**302,356**	79,664
		3,245,219	1,403,267
Total liabilities		**3,591,208**	1,502,882
Total equity and liabilities		**17,022,559**	13,539,243
Net current assets		**6,412,040**	8,243,929
Total assets less current liabilities		**13,777,340**	12,135,976

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

As at 31 December 2008

	Note	As at 31 December 2008 RMB'000	2007 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**9,543,082**	5,157,483
Current assets			
Amounts due from subsidiaries	20	**1,420,127**	4,845,182
Prepayments and other receivables		**559**	608
Cash and cash equivalents	29	**778**	213
		1,421,464	4,846,003
Total assets		**10,964,546**	10,003,486
EQUITY			
Capital and reserves			
Share capital	33	**83,056**	83,126
Share premium	33	**9,331,889**	9,367,321
Reserves	34	**1,048,983**	552,834
Total equity		**10,463,928**	10,003,281
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	20	**498,997**	—
Other payables and accruals	31	**1,621**	205
Total liabilities		**500,618**	205
Total equity and liabilities		**10,964,546**	10,003,486
Net current assets		**920,846**	4,845,798
Total assets less current liabilities		**10,463,928**	10,003,281

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Attributable to equity holders of the Company									
	Share capital RMB'000 (Note 33)	Share premium RMB'000	Merger reserve RMB'000 (Note 34(b))	Statutory reserve RMB'000 (Note 34(c))	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total equity RMB'000
For the year ended 31 December 2008										
As at 1 January 2008	**83,126**	**9,249,510**	**3,531**	**37,306**	**—**	**(420)**	**2,600,377**	**11,973,430**	**62,931**	**12,036,361**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(25,448)**	**—**	**(25,448)**	**—**	**(25,448)**
Net expense recognized directly in equity	**—**	**—**	**—**	**—**	**—**	**(25,448)**	**—**	**(25,448)**	**—**	**(25,448)**
Profit/(loss) for the year	**—**	**—**	**—**	**—**	**—**	**—**	**2,010,435**	**2,010,435**	**(7,398)**	**2,003,037**
Total recognized (loss)/income for the year	**—**	**—**	**—**	**—**	**—**	**(25,448)**	**2,010,435**	**1,984,987**	**(7,398)**	**1,977,589**
Acquisition of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,590**	**1,590**
Repurchase of shares	**(70)**	**(35,432)**	**—**	**—**	**70**	**—**	**(70)**	**(35,502)**	**—**	**(35,502)**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(548,687)**	**(548,687)**	**—**	**(548,687)**
	(70)	**(35,432)**	**—**	**—**	**70**	**—**	**(548,757)**	**(584,189)**	**1,590**	**(582,599)**
As at 31 December 2008	**83,056**	**9,214,078**	**3,531**	**37,306**	**70**	**(25,868)**	**4,062,055**	**13,374,228**	**57,123**	**13,431,351**
For the year ended 31 December 2007										
As at 1 January 2007	3	1,318,078	3,531	19,068	—	534	1,292,750	2,633,964	—	2,633,964
Exchange differences	—	—	—	—	—	(954)	—	(954)	—	(954)
Net expense recognized directly in equity	—	—	—	—	—	(954)	—	(954)	—	(954)
Profit/(loss) for the year	—	—	—	—	—	—	1,979,106	1,979,106	(486)	1,978,620
Total recognized (loss)/income for the year	—	—	—	—	—	(954)	1,979,106	1,978,152	(486)	1,977,666
Transfer to reserves	—	—	—	18,238	—	—	(18,238)	—	—	—
Capitalization issue	69,763	(69,763)	—	—	—	—	—	—	—	—
Issue of shares	13,360	8,269,822	—	—	—	—	—	8,283,182	—	8,283,182
Share issuance costs	—	(268,627)	—	—	—	—	—	(268,627)	—	(268,627)
Acquisition of a business	—	—	—	—	—	—	—	—	63,417	63,417
Dividends	—	—	—	—	—	—	(653,241)	(653,241)	—	(653,241)
	83,123	7,931,432	—	18,238	—	—	(671,479)	7,361,314	63,417	7,424,731
As at 31 December 2007	83,126	9,249,510	3,531	37,306	—	(420)	2,600,377	11,973,430	62,931	12,036,361

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

For the year ended 31 December 2008

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000
Cash flows from operating activities			
Net cash generated from operations	35(a)	**2,461,181**	337,854
Hong Kong profits tax paid		**(2,272)**	(2,573)
PRC corporate income tax paid		**(97,531)**	(42,064)
Macau income tax paid		**(832)**	(520)
Net cash generated from operating activities		**2,360,546**	292,697
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,077,011)**	(878,276)
Payments for intangible assets and leasehold land and land use rights		**(371,906)**	(298,534)
Purchase of investment properties		**—**	(14,231)
Proceeds from sale of property, plant and equipment	35(b)	**7,080**	2,948
Acquisition of subsidiaries and businesses, net of cash acquired	36(c)	**(2,868,436)**	(360,247)
Deposit for acquisition of subsidiaries and businesses	21	**—**	(904,552)
Purchase of available-for-sale financial assets		**(1,000,000)**	—
Proceeds from sale of available-for-sale financial assets		**1,027,547**	—
Placement of structured bank deposits		**(769,657)**	—
Uplift of structured bank deposits		**529,657**	—
New term deposits with initial terms of over three months		**(400,966)**	—
Net cash used in investing activities		**(4,923,692)**	(2,452,892)
Cash flows from financing activities			
Proceeds from issuance of new shares, net		**—**	8,014,555
Dividends paid		**(548,687)**	(653,241)
Interest received		**55,509**	502,235
Interest paid		**(29,736)**	(27,299)
Proceeds from borrowings		**3,195,505**	1,985,762
Repayments of borrowings		**(2,882,882)**	(2,581,448)
Redemption of shares		**(35,502)**	—
Net cash (used in)/generated from financing activities		**(245,793)**	7,240,564
Net (decrease)/increase in cash and cash equivalents		**(2,808,939)**	5,080,369
Cash and cash equivalents at beginning of the year		**5,213,167**	302,095
Effect on foreign exchange		**(77,632)**	(169,297)
Cash and cash equivalents at end of the year	29	**2,326,596**	5,213,167

The notes on pages 46 to 110 are an integral part of these consolidated financial statements.

1 Organization and principal activities

Belle International Holdings Limited (the "Company") and its subsidiaries (collectively, referred to as the "Group") are principally engaged in the manufacturing, distribution and retail sales of shoes and footwear products; and the sales of sportswear 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 Taiwan.

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 shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2009.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention except that certain financial assets and financial liabilities are measured at fair value, as appropriate.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The following amendments and interpretations to the standards are mandatory for accounting periods beginning on or after 1 January 2008. The adoption of these amendments and interpretations to the standards does not have any significant impact to the results and financial position of the Group.

IAS 39 and IFRS 7 (Amendments)	Reclassification of Financial Assets
IFRIC Int 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC Int 12	Service Concession Arrangements
IFRIC Int 14	IFRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirement and Their Interaction

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The following new standards, amendments and interpretations to the standards have been issued but are not effective for 2008 and have not been early adopted by the Group.

IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 1 January 2009)
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after 1 January 2009)
IFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)
IFRS 3 (Revised)	Business Combinations (effective for annual periods beginning on or after 1 July 2009)
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments (effective for annual periods beginning on or after 1 January 2009)
IFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
IAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2009)
IAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1 January 2009)
IAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)
IAS 32 and IAS 1 (Amendments)	Puttable Financial Instruments and Obligations arising on Liquidation (effective for annual periods beginning on or after 1 January 2009)
IAS 39 (Amendment)	Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)
IFRIC Int 9 and IAS 39 (Amendments)	Embedded Derivatives (effective for annual periods ending on or after 30 June 2009)
IFRIC Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
IFRIC Int 15	Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
IFRIC Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
IFRIC Int 17	Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)
IFRIC Int 18	Transfers of Assets from Customers (effective for transfers of assets from customers received on or after 1 July 2009)

The effect that the adoption of IFRS 3 (Revised) and IAS 27 (Revised) will have on the results and financial position of the Group will depend on the incidence and timing of business combinations occurring on or after 1 January 2010. The directors anticipate that the adoption of other new standards, amendments and interpretations to standards will not result in a significant impact on the results and financial position of the Group.

In addition, the International Accounting Standards Board also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, including any contingent liabilities assumed, the difference is recognized directly in the consolidated income statement.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains or losses for the Group are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in "Renminbi" ("RMB"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.4 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

Property, plant and equipment other than construction-in-progress are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate cost less impairment losses of each asset to their residual values over their estimated useful lives as follows:

Buildings	20-40 years
Leasehold improvements	1-5 years
Plant and equipment	10 years
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets, and is recognized in the income statement.

2.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and interest charges arising from borrowing used to finance these assets during the period of construction or installation and testing. All other borrowing costs are expensed. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

2 Summary of significant accounting policies (continued)

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property.

Investment property is carried at cost, including related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 35 to 40 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

2.8 Leasehold land and land use rights

Leasehold land and land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period from 30 to 70 years. Amortization of leasehold land and land use rights is calculated on a straight-line basis over the period of leases.

2.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gain and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose.

(b) Acquired distribution contracts

Acquired distribution contracts are carried at cost less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution contracts over their estimated useful lives of 1 to 13 years.

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(c) Acquired trademarks and patents

Acquired trademarks and patents that have definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired trademarks and patents over their estimated useful lives of 10 to 40 years.

(d) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years. Cost associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

Computer software development costs recognized as assets are amortized over their estimated useful lives of not exceeding 5 years.

2.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or have not yet available for use are not subject to amortization/depreciation and are at least tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the income statement.

2.11 Inventories

Inventories, comprise raw materials, work-in-progress, finished goods and consumables, are stated at the lower of cost and net realizable value. Cost is determined by weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (continued)

2.12 Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement within administrative expenses. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2.13 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Group's financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables include trade receivables, loans and other receivables.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method, less any provision for impairment.

2 Summary of significant accounting policies (continued)

2.13 Financial assets (continued)

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within other gains/losses, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analyzed between translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as gains and losses from investment securities. Dividends on available-for-sale equity instruments are recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement - is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.14 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair values. The method of recognizing the resulting gains or losses depends on whether the derivative is designated and qualified as a hedging instrument, and if so, the nature of the item being hedged. Since the derivative financial instruments entered into by the Group do not qualify for hedge accounting, changes in fair value of any derivative financial instruments are recognized immediately in the income statement within other gains/losses.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 Summary of significant accounting policies (continued)

2.16 Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. Financial liabilities (including trade payables) are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method. An equity instrument is any contract that does not meet the definition of financial liability and evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Ordinary shares are classified as equity. Non-mandatorily redeemable ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are charged to the income statement in the period in which they are incurred.

2.19 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies (continued)

2.20 Employee benefits

(a) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plans are expensed as incurred and, in most cases, are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.21 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2 Summary of significant accounting policies (continued)

2.22 Operating leases (as a leasee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. When a component of the lease payment which is not fixed but is based on future amount of a factor, other than with the passage of time, such as percentage of sales or concessionaire fees, the amount is recognized as expenses as it arises.

2.23 Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of (i) the amount initially recognized less, where appropriate, cumulative amortization recognized in the income statement over the period of the relevant liabilities and (ii) the amount of which the Group is obliged to reimburse the recipient under the financial guarantee contracts.

2.24 Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminated sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue and income are recognized as follows:

(a) Sales of goods

Revenue from the sales of goods is recognized when the risk and reward of the goods has been transferred to the customer, which is usually at the date when a group entity has delivered products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Accumulated experience is used to estimate and provide for sales returns at the time of sale.

(b) Commissions from concessionaire sales are recognized upon the sales of goods by the relevant stores.

(c) Interest income is recognized on a time proportion basis using the effective interest method.

(d) Rental income under operating leases is recognized on a straight-line basis over the lease periods.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage certain risk exposures occasionally. The use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the Board of Directors of the Company.

(a) Foreign currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group also has retail operations in Hong Kong, Macau and Taiwan, of which foreign exchange risk is considered insignificant. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk from various currency exposures, primarily with respect to Hong Kong Dollars ("HK$") and the United States Dollars ("US$").

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and entering into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK$ and US$ to mitigate the impact on exchange rate fluctuations.

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose the Group to material foreign exchange risk. Other than certain cash and bank balances that are denominated in HK$ and US$, the Group's assets and liabilities are primarily denominated in the respective group companies' functional currency.

At 31 December 2008, if HK$/US$ had weakened/strengthened by 5% against RMB, with all other variables held constant, profit for the year would have been approximately RMB18,595,000 lower/higher (2007: RMB153,411,000 lower/higher).

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash at bank and certain structured and term deposits, details of which have been disclosed in Notes 27 to 29. The Group's exposure to changes in interest rates is also attributable to its borrowings, details of which have been disclosed in Note 32. Borrowings carry at floating rates expose the Group to cash flow interest-rate risk whereas those carry at fixed rates expose the Group to fair value interest-rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risks as management considers that the Group's borrowings are relatively insignificant to the Group; any reasonable changes in interest rate would not result in a significant change in the Group's results. Accordingly, no sensitivity analysis is presented for interest rate risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade and other receivables, cash at bank, and the structured and term deposits included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales of products on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while credit sales are generally on credit terms within 30 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made.

As at 31 December 2008 and 2007, substantially all the bank balances, structured bank deposits and term deposits as detailed in Notes 27 to 29 are held in major financial institutions located in Hong Kong and the PRC; all derivative financial instruments and financial assets at fair value through profit or loss are also entered into with these financial institutions, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, payment on related debts and payment for purchases and operating expenses. The Group also used cash as consideration for settlement of its acquisition of businesses. The Group finances its acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows based on the earliest date on which the Group can be required to pay.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

	Group			
	Within 1 year *RMB'000*	**Between 1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
As at 31 December 2008				
Trade payables	**1,459,169**	**—**	**—**	**1,459,169**
Other payables, accruals and other current liabilities	**980,246**	**—**	**—**	**980,246**
Other non-current liabilities	**—**	**20,057**	**99,054**	**119,111**
Borrowings	**507,341**	**—**	**—**	**507,341**
	2,946,756	**20,057**	**99,054**	**3,065,867**

	Within 1 year *RMB'000*	Between 1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
As at 31 December 2007				
Trade payables	617,834	—	—	617,834
Other payables, accruals and other current liabilities	506,034	—	—	506,034
Other non-current liabilities	—	17,459	109,116	126,575
Borrowings	203,718	—	—	203,718
	1,327,586	17,459	109,116	1,454,161

All the Company's financial liabilities are due for settlement contractually within 12 months.

3 Financial risk management (continued)

3.2 Fair value estimation

The carrying amounts of the Group's financial assets, including cash and cash equivalents, structured bank deposits, term deposits with initial terms of over three months, trade receivables and other receivables, and the Group's financial liabilities, including trade payables, other payables, accruals and other current liabilities and current borrowings, approximate their fair values due to their short maturities.

The nominal values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and make adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings.

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net (cash)/debt divided by total capital. Net (cash)/debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less structured bank deposits, term deposits with initial terms of over three months and cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net (cash)/debt.

3 Financial risk management (continued)

3.3 Capital risk management (continued)

The table below analyzes the Group's capital structure as at 31 December 2008 and 2007:

	2008	2007
	RMB'000	*RMB'000*
Total borrowings	**503,448**	200,000
Less: Structured bank deposits, term deposits with initial terms of over three months and cash and cash equivalents	**(2,984,605)**	(5,213,167)
Net cash	**(2,481,157)**	(5,013,167)
Total equity	**13,431,351**	12,036,361
Total capital	**10,950,194**	7,023,194
Gearing ratio	**(0.23)**	(0.71)

There is a decrease in the Group's cash and cash equivalents at 31 December 2008 mainly a result of payments for the acquisitions during the year. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

4 Critical accounting estimates and judgments

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Useful lives, residual values and depreciation charges of property, plant and equipment/ useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation/amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

4 Critical accounting estimates and judgments (continued)

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 19). Other non-financial assets including property, plant and equipment, leasehold land and land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the income statement.

(c) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(d) Trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. The assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at each balance sheet date.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 Segment information

The Group is principally engaged in the manufacturing, distribution and sales of shoes and footwear products, and the sales of sportswear products. Turnover represents sales of shoes and footwear products, and sportswear products of RMB17,841,153,000 (2007: RMB11,659,163,000).

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, intangible assets, 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.

5 Segment information (continued)

Primary reporting format – business segments (continued)

	Year ended 31 December 2008			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue				
Sales of goods	9,669,208	8,177,467	(5,522)	17,841,153
Commisions from concessionaire sales	—	14,632	—	14,632
	9,669,208	8,192,099	(5,522)	17,855,785
Segment results	2,008,015	378,372	—	2,386,387
Unallocated income				75,324
Amortization of intangible assets	(59,466)	(51,142)	—	(110,608)
Unallocated expenses				(71,800)
Operating profit				2,279,303
Finance income				72,552
Finance costs				(91,260)
Profit before income tax				2,260,595
Income tax expense				(257,558)
Profit for the year				2,003,037
Capital expenditure				
– Allocated	755,312	418,907	—	1,174,219
– Unallocated				274,698
Depreciation on property, plant and equipment				
– Allocated	249,056	258,503	—	507,559
– Unallocated				2,314
Amortization of leasehold land and land use rights				
– Allocated	17,685	5,439	—	23,124
– Unallocated				5,645
Amortization of intangible assets	59,466	51,142	—	110,608
Depreciation on investment properties				979
Impairment losses on inventories	36,117	4,277	—	40,394
Impairment losses on trade receivables	1,195	7	—	1,202

5 Segment information (continued)

Primary reporting format – business segments (continued)

	As at 31 December 2008			
	Shoes and footwear products	Sportswear products	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	7,933,394	6,945,568	(2,504,450)	12,374,512
Goodwill	1,651,893	505,927	—	2,157,820
Other intangible assets	664,865	537,586	—	1,202,451
Unallocated assets				1,186,611
Investment properties				22,458
Deferred income tax assets				78,707
Total assets				17,022,559
Segment liabilities	3,865,987	1,131,674	(2,504,450)	2,493,211
Unallocated liabilities				16,935
Corporate borrowings				482,393
Current income tax liabilities				302,356
Deferred income tax liabilities				296,313
Total liabilities				3,591,208

5 Segment information (continued)

Primary reporting format – business segments (continued)

	Year ended 31 December 2007			
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Revenue				
Sales of goods	6,201,823	5,457,340	—	11,659,163
Commisions from concessionaire sales	—	12,695	—	12,695
	6,201,823	5,470,035	—	11,671,858
Segment results	1,472,048	321,687	—	1,793,735
Unallocated income				93,398
Amortization of intangible assets	(1,786)	(42,916)	—	(44,702)
Unallocated expenses				(87,516)
Operating profit				1,754,915
Finance income				502,235
Finance costs				(235,333)
Profit before income tax				2,021,817
Income tax expense				(43,197)
Profit for the year				1,978,620
Capital expenditure				
– Allocated	484,453	562,988	—	1,047,441
– Unallocated				143,600
Depreciation on property, plant and equipment				
– Allocated	152,260	182,269	—	334,529
– Unallocated				1,894
Amortization of leasehold land and land use rights				
– Allocated	3,822	2,788	—	6,610
– Unallocated				3,878
Amortization of intangible assets	1,786	42,916	—	44,702
Depreciation on investment properties				711
Impairment losses on inventories	376	—	—	376
Impairment losses on trade receivables	12	—	—	12

5 Segment information (continued)

Primary reporting format – business segments (continued)

	As at 31 December 2007			
	Shoes and footwear products	Sportswear products	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	3,997,461	4,495,826	(712,289)	7,780,998
Goodwill	—	505,927	—	505,927
Other intangible assets	19,613	588,562	—	608,175
Unallocated assets				4,582,268
Investment properties				24,382
Deferred income tax assets				37,493
Total assets				13,539,243
Segment liabilities	1,294,316	583,388	(712,289)	1,165,415
Unallocated liabilities				5,481
Corporate borrowings				200,000
Current income tax liabilities				79,664
Deferred income tax liabilities				52,322
Total liabilities				1,502,882

Secondary reporting format – geographical segments

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Revenue		
The PRC	**16,960,702**	11,276,256
Hong Kong	**636,053**	172,419
Other locations	**259,030**	223,183
	17,855,785	11,671,858

5 Segment information (continued)

Secondary reporting format – geographical segments (continued)

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Total Assets		
The PRC	**15,880,691**	8,715,555
Hong Kong	**1,079,288**	4,799,544
Other locations	**62,580**	24,144
	17,022,559	13,539,243

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Capital expenditure		
The PRC	**1,150,688**	1,114,328
Hong Kong	**293,040**	72,809
Other locations	**5,189**	3,904
	1,448,917	1,191,041

6 Other income

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Rental income	**3,315**	4,762
Government subsidies	**11,638**	—
Others	**3,278**	5,246
	18,231	10,008

7 Other gains

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Derivative financial instruments - forward foreign exchange contracts	**38,069**	71,344
Fair value gain on financial assets at fair value through profit or loss	**3,115**	12,046
Gain on available-for-sale financial assets	**27,547**	—
	68,731	83,390

8 Operating profit

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

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Costs of inventories recognized as expenses included in cost of sales	**8,589,785**	5,768,288
Depreciation on property, plant and equipment	**509,873**	336,423
Depreciation on investment properties	**979**	711
Amortization of intangible assets	**110,608**	44,702
Amortization of leasehold land and land use rights	**28,769**	10,488
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**3,701,092**	2,262,233
Staff costs (including directors' emoluments) *(Note 14)*	**2,118,008**	1,258,156
Loss / (gain) on disposal of property, plant and equipment *(Note 35(b))*	**10,227**	(62)
Impairment losses on inventories	**40,394**	376
Impairment losses on trade receivables	**1,202**	12
Auditor's remuneration	**9,420**	5,619

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

9 Finance (costs)/income, net

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interest income on bank deposits	**45,457**	138,057
Interest income from subscription money upon initial public offering	**—**	364,178
Interest income from structured bank deposits	**27,095**	—
	72,552	502,235
Interest expense on short-term bank borrowings		
– wholly repayable within 5 years	**(29,736)**	(27,299)
Net foreign exchange losses	**(61,524)**	(208,034)
	(91,260)	(235,333)
Finance (costs)/income, net	**(18,708)**	266,902

10 Income tax expense

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current income taxes		
– PRC corporate income tax	**303,446**	84,860
– Hong Kong profits tax	**1,404**	1,723
– Macau income tax	**1,533**	865
Overprovision in prior years		
– Hong Kong profits tax	**(2,423)**	—
– PRC corporate income tax	**(775)**	(5,003)
– Macau income tax	**(311)**	—
Deferred income tax *(Note 22)*	**(45,316)**	(39,248)
	257,558	43,197

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

10 Income tax expense (continued)

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group, as being wholly foreign-owned enterprises in Shenzhen, the PRC. Certain subsidiaries established in the PRC are also entitled to a two-year exemption from income taxes followed by a 50% reduction in income taxes for the ensuing three years. These companies have either been exempted from corporate income tax for the year or subject to reduced tax rates ranging from 9% to 18% during the year. The tax rates for these companies will be gradually increased to 25% towards year 2013.

The tax charge on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follow:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Profit before income tax	**2,260,595**	2,021,817
Tax calculated at the domestic tax rates of respective companies	**409,969**	303,298
Effect of tax holidays of PRC subsidaries	**(215,666)**	(240,194)
Non-taxable income	**(22,432)**	(99,410)
Expenses not deductible for tax purposes	**43,257**	62,233
Tax losses for which no deferred income tax asset was recognized	**37,543**	21,352
Utilization of previously unrecognized tax losses	**(2,004)**	—
Overprovision in prior years	**(3,509)**	(5,003)
Others	**10,400**	921
	257,558	43,197

The weighted average applicable tax rate for the year ended 31 December 2008 is 18.1% (2007: 15.0%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in applicable tax rate of certain PRC subsidiaries and the change in the relative profitability of the companies within the Group.

11 Profit attributable to shareholders

The profit attributable to shareholders for the year ended 31 December 2008 is dealt with in the financial statements of the Company to the extent of RMB1,044,836,000 (2007: RMB805,784,000).

12 Earnings per share

Basic

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

	Year ended 31 December	
	2008	2007
Profit attributable to equity holders of the Company (RMB'000)	**2,010,435**	1,979,106
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share) *(note)*	**8,439,180**	7,908,062
Basic earnings per share (RMB cents per share)	**23.82**	25.03

Note:

The weighted average number of ordinary shares for the purposes of basic earnings per share for the year ended 31 December 2007 has been retrospectively adjusted for the effects of the capitalization of the ordinary shares taken place on 27 April 2007 as set out in Note 33(e).

Diluted

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

13 Dividends

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Interim, paid, of RMB3 cents per ordinary share (2007: RMB3 cents) *(note (a))*	**253,240**	253,240
Final, proposed, of RMB3.5 cents per ordinary share (2007: RMB3.5 cents) *(note (b))*	**295,198**	295,447
	548,438	548,687

Note:

(a) At a meeting held on 10 September 2008, the directors declared an interim dividend of RMB3 cents per share, totaling RMB253,240,000 for the year ended 31 December 2008. The amount was paid during the year.

(b) At a meeting held on 24 March 2009, the directors recommended the payment of a final dividend for the year ended 31 December 2008 of RMB3.5 cents per ordinary share (2007: RMB3.5 cents), totaling RMB295,198,000 (2007: RMB295,447,000). This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

14 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**1,821,353**	1,093,673
Pensions costs - defined contribution plans *(note)*	**257,017**	139,277
Welfare and other expenses	**39,638**	25,206
	2,118,008	1,258,156

Note:

Hong Kong

The Group has two types of defined contribution pension schemes, the Mandatory Provident Fund Scheme (the "MPF Scheme") and the retirement scheme organised under the Hong Kong Occupational Retirement Schemes Ordinance ("ORSO Scheme"), for its employees in Hong Kong. The assets of the MPF Scheme and ORSO Scheme are held separately from those of the Group under independently administered funds.

Under the MPF Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 5% of the employees' relevant income, as defined in the Mandatory Provident Fund Scheme Ordinance. Both the Group's and the employee's contributions are subject to a cap of HK$1,000 and thereafter contributions are voluntary. The contributions are fully and immediately vested in the employees.

Under the ORSO Scheme, each of the Group (the employer) and its Hong Kong employees makes monthly contributions to the scheme at 7% and 3% respectively of the employees' salary. The unvested benefits of employees who have terminated employment are utilized by the Group to reduce its future contributions. There were no unvested benefit so utilized under the scheme during the year ended 31 December 2008 (2007: Nil). At 31 December 2008, the Group had no unvested benefits available to reduce its future contributions (2007: Nil).

The Group has no further obligations for post-retirement benefits in relation to its Hong Kong employees beyond the contributions to the MPF Scheme and ORSO Scheme.

The PRC

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its relevant employees in the PRC. The Group's relevant employees make monthly contributions to the schemes at 8% to 11% of the relevant income (comprising wages, salaries, allowances and bonus), while the Group contributes 10% to 35% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

15 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

	Year ended 31 December 2008				
	Fees	Basic salaries, housing allowance, other allowances and benefits in kind	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Tang Yiu	—	4,355	2,903	—	7,258
Sheng Baijiao	—	3,480	3,520	19	7,019
Yu Mingfang	—	2,320	1,680	35	4,035
Tang Ming Wai	—	735	517	11	1,263
Non-executive directors:					
Gao Yu	—	—	—	—	—
Hu Xiaoling	—	—	—	—	—
Independent non-executive directors:					
Chan Yu Ling, Abraham	145	—	—	—	145
Ho Kwok Wah, George	145	—	—	—	145
Xue Qiuzhi	145	—	—	—	145
	435	10,890	8,620	65	20,010

15 Emoluments for directors and five highest paid individuals (continued)

(a) Directors' emoluments (continued)

	Year ended 31 December 2007				
	Fees	Basic salaries, housing allowance, other allowances and benefits in kind	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Tang Yiu	—	4,638	3,865	—	8,503
Sheng Baijiao	—	3,600	4,000	19	7,619
Yu Mingfang	—	2,400	2,580	35	5,015
Tang Ming Wai	—	623	440	12	1,075
Non-executive directors:					
Gao Yu	—	—	—	—	—
Hu Xiaoling	—	—	—	—	—
Independent non-executive directors:					
Chan Yu Ling, Abraham	145	—	—	—	145
Ho Kwok Wah, George	145	—	—	—	145
Xue Qiuzhi	145	—	—	—	145
	435	11,261	10,885	66	22,647

15 Emoluments for directors and five highest paid individuals (continued)

(b) Five highest paid individuals

The five highest paid individuals included 3 (2007: 3) directors, whose emoluments are included in the above disclosure. The emoluments of the remaining two individuals during the year are as follows:

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**5,800**	8,910
Pensions costs - defined contribution plans	**42**	51
	5,842	8,961

	Number of individuals For the year ended 31 December	
	2008	2007
HK$3,000,001 (equivalent to RMB2,645,000) to HK$3,500,000 (equivalent to RMB3,086,000)	**2**	—
HK$4,000,001 (equivalent to RMB3,528,000) to HK$4,500,000 (equivalent to RMB3,969,000)	**—**	1
HK$5,500,001 (equivalent to RMB4,850,000) to HK$6,000,000 (equivalent to RMB5,291,000)	**—**	1
	2	2

(c) During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil).

16 Property, plant and equipment

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and equipment RMB'000	Furniture and fixtures and other equipment RMB'000	Motor vehicles RMB'000	Construc-tion in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2007	212,515	346,779	154,808	62,988	38,478	13,982	829,550
Additions	132,272	410,456	25,906	66,831	19,253	223,558	878,276
Acquistion of subsidiaries *(Note 36(b))*	—	1,424	249	525	—	—	2,198
Disposals	—	(3,210)	(2,773)	(2,629)	(2,168)	—	(10,780)
Exchange differences	(2,255)	(3,002)	(516)	(731)	(175)	—	(6,679)
As at 31 December 2007	342,532	752,447	177,674	126,984	55,388	237,540	1,692,565
Acquistion of subsidiaries and businesses *(Note 36(a))*	**465,423**	**14,769**	**58,595**	**25,886**	**1,759**	**—**	**566,432**
Additions	**106,343**	**583,621**	**66,270**	**89,906**	**17,859**	**213,012**	**1,077,011**
Reclassified from investment properties	**822**	**—**	**—**	**—**	**—**	**—**	**822**
Transfer upon completion	**377,661**	**—**	**71,360**	**—**	**—**	**(449,021)**	**—**
Disposals	**—**	**(32,638)**	**(16,430)**	**(15,904)**	**(2,433)**	**—**	**(67,405)**
Written-off	**—**	**(130,899)**	**—**	**—**	**—**	**—**	**(130,899)**
Exchange differences	**(3,466)**	**(2,665)**	**(377)**	**(704)**	**(111)**	**—**	**(7,323)**
As at 31 December 2008	**1,289,315**	**1,184,635**	**357,092**	**226,168**	**72,462**	**1,531**	**3,131,203**
Accumulated amortization and impairment							
As at 1 January 2007	18,040	183,032	30,877	13,810	8,170	—	253,929
Charge for the year	9,599	282,689	12,826	22,522	8,787	—	336,423
Disposals	—	(2,684)	(2,274)	(1,918)	(1,018)	—	(7,894)
Exchange differences	(204)	(1,887)	(355)	(662)	(97)	—	(3,205)
As at 31 December 2007	27,435	461,150	41,074	33,752	15,842	—	579,253
Charge for the year	**42,850**	**367,831**	**42,536**	**46,342**	**10,314**	**—**	**509,873**
Reclassified from investment properties	**433**	**—**	**—**	**—**	**—**	**—**	**433**
Disposals	**—**	**(26,629)**	**(13,902)**	**(7,818)**	**(1,749)**	**—**	**(50,098)**
Written-off	**—**	**(130,899)**	**—**	**—**	**—**	**—**	**(130,899)**
Exchange differences	**(277)**	**(1,885)**	**(254)**	**(632)**	**(74)**	**—**	**(3,122)**
As at 31 December 2008	**70,441**	**669,568**	**69,454**	**71,644**	**24,333**	**—**	**905,440**
Net book value							
As at 31 December 2008	**1,218,874**	**515,067**	**287,638**	**154,524**	**48,129**	**1,531**	**2,225,763**
As at 31 December 2007	315,097	291,297	136,600	93,232	39,546	237,540	1,113,312

16 Property, plant and equipment (continued)

Net book value of buildings are analyzed as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**74,706**	33,145
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**1,130,815**	281,952
– Leases of over 50 years	**13,353**	—
	1,144,168	281,952
	1,218,874	315,097

Property, plant and equipment pledged as securities for bank borrowings were as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net book value of property, plant and equipment pledged *(Note 32(b))*	**—**	228,000

17 Leasehold land and land use rights

	2008	2007
	RMB'000	*RMB'000*
Cost		
As at 1 January	**582,912**	301,842
Acquisition of subsidiaries and businesses *(Note 36(a))*	**566,771**	—
Additions	**363,827**	290,567
Exchange differences	**(14,760)**	(9,497)
As at 31 December	**1,498,750**	582,912
Accumulated amortization and impairment		
As at 1 January	**33,209**	22,945
Amortization for the year	**28,769**	10,488
Exchange differences	**(352)**	(224)
As at 31 December	**61,626**	33,209
Net book amount as at 31 December	**1,437,124**	549,703

17 Leasehold land and land use rights (continued)

The net book amount of leasehold land and land use rights are analyzed as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**387,251**	150,836
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**1,009,357**	398,867
– Leases of over 50 years	**40,516**	—
	1,049,873	398,867
	1,437,124	549,703

Leasehold land and land use rights pledged as securities for bank borrowings were as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net book amount of leasehold land and land use rights pledged *(Note 32(b))*	**—**	64,162

18 Investment properties

	2008	2007
	RMB'000	*RMB'000*
Cost		
As at 1 January	**25,656**	12,250
Additions	**—**	14,231
Reclassified to property, plant and equipment	**(822)**	—
Exchange differences	**(599)**	(825)
As at 31 December	**24,235**	25,656
Accumulated depreciation		
As at 1 January	**1,274**	614
Charge for the year	**979**	711
Reclassified to property, plant and equipment	**(433)**	—
Exchange differences	**(43)**	(51)
As at 31 December	**1,777**	1,274
Net book value as at 31 December	**22,458**	24,382
At directors' valuation *(note)*	**24,300**	27,611

Note:

The valuations for the investment properties as at 31 December 2008 and 2007 were determined by the directors of the Group on an open market value basis.

The net book value of investment properties are analysed as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
In Hong Kong, held on:		
– Leases of between 10 to 50 years	**9,354**	10,566
Outside Hong Kong, held on:		
– Leases of between 10 to 50 years	**13,104**	13,816
	22,458	24,382

19 Intangible assets

	Goodwill RMB'000	Distribution contracts RMB'000	Trademarks RMB'000	Computer software RMB'000	Total RMB'000
Cost					
As at 1 January 2007	488,850	175,000	15,964	1,000	680,814
Arising from acquisition of subsidiaries *(Note 36(b))*	20,666	—	474,173	—	494,839
Additions	—	—	—	7,967	7,967
Exchange differences	—	—	(199)	—	(199)
As at 31 December 2007	509,516	175,000	489,938	8,967	1,183,421
Arising from acquisition of subsidiaries and businesses *(Note 36(a))*	**1,651,893**	**174,635**	**521,812**	**461**	**2,348,801**
Additions	**—**	**—**	**1,158**	**6,921**	**8,079**
Written off	**(3,589)**	**—**	**—**	**—**	**(3,589)**
Exchange differences	**—**	**—**	**(242)**	**(5)**	**(247)**
As at 31 December 2008	**2,157,820**	**349,635**	**1,012,666**	**16,344**	**3,536,465**
Accumulated amortization and impairment					
As at 1 January 2007	3,589	19,444	1,244	400	24,677
Amortization for the year	—	38,889	5,548	265	44,702
Exchange differences	—	—	(60)	—	(60)
As at 31 December 2007	3,589	58,333	6,732	665	69,319
Amortization for the year	**—**	**64,229**	**42,316**	**4,063**	**110,608**
Written off	**(3,589)**	**—**	**—**	**—**	**(3,589)**
Exchange differences	**—**	**—**	**(136)**	**(8)**	**(144)**
As at 31 December 2008	**—**	**122,562**	**48,912**	**4,720**	**176,194**
Net book amount					
As at 31 December 2008	**2,157,820**	**227,073**	**963,754**	**11,624**	**3,360,271**
As at 31 December 2007	505,927	116,667	483,206	8,302	1,114,102

19 Intangible assets (continued)

A segment-level summary of the goodwill allocation at cost before impairment is presented below.

	Shoes and footwear products RMB'000	Sportswear products RMB'000	Total RMB'000
As at 31 December 2008			
The PRC	**1,580,136**	**505,927**	**2,086,063**
Hong Kong	**71,757**	**—**	**71,757**
	1,651,893	**505,927**	**2,157,820**
As at 31 December 2007			
The PRC	—	505,927	505,927
United States of America	3,589	—	3,589
	3,589	505,927	509,516

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate of 3%. The growth rate used is largely consistent and do not exceed the industry growth forecast.

Key assumptions used for value-in-use calculations:

	Shoes and footwear products		Sportswear products
	The PRC	Hong Kong	The PRC
Gross margin	**55% to 65%**	**63% to 70%**	**35% to 36%**
Annual growth rate	**26% to 68%**	**3% to 10%**	**10% to 20%**
Discount rate	**12%**	**12%**	**12%**

The annual discount rate is before tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by the management based on past performance and its expectation for market development. Management has considered the above assumptions and valuation and has also taken into account the business expansion plan going forward. Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount. Judgment is required to determine key assumptions adopted in the cash flow projections and the changes to key assumptions can significantly affect these cash flow projections.

20 Interests in subsidiaries

	Company	
	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**3,957,309**	1,329,146
Loans to subsidiaries *(note (a))*	**5,585,773**	3,828,337
	9,543,082	5,157,483
Amounts due from subsidiaries *(note (b))*	**1,420,127**	4,845,182
Amounts due to subsidiaries *(note (b))*	**498,997**	—

Note:

(a) Loans to subsidiaries are unsecured and non-interest bearing. These loans have no fixed terms of repayment and are regarded as equity contributions to the subsidiaries.

(b) Amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand.

(c) Particulars of the principal subsidiaries of the Group are set out in Note 40.

21 Long-term deposits, prepayments and other non-current assets

At 31 December 2007, included in long-term deposits, prepayments and other non-current assets was a deposit of RMB904,552,000 paid for the acquisition of certain assets, businesses and companies from Jiangsu Senda Group Co., Ltd. ("Senda"). The deposit represented part of the purchase consideration for the acquisition of Senda's business (see also Note 36(c)).

22 Deferred income taxes

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net deferred income tax assets recognized on the consolidated balance sheet	**78,707**	37,493
Net deferred income tax liabilities recognized on the consolidated balance sheet	**(296,313)**	(52,322)
	(217,606)	(14,829)

The movement on the deferred income tax assets/(liabilities) account is as follows:

	Accelerated tax depreciation	Unrealized profit on closing inventories	Deferred income tax liabilities arising from recognition of distribution contracts	Deferred income tax liabilities arising from recognition of trademarks	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2007	441	8,616	(42,438)	—	—	—	(33,381)
Deferred income tax liabilities arising from recognition of distribution contracts *(Note 36(b))*	—	—	—	(20,666)	—	—	(20,666)
Credited to the consolidated income statement	—	27,585	10,610	172	—	881	39,248
Exchange differences	(30)	—	—	—	—	—	(30)
At 31 December 2007	411	36,201	(31,828)	(20,494)	—	881	(14,829)
Acquisition of subsidiaries *(Note 36(a))*	**(112,550)**	**—**	**(20,399)**	**(120,469)**	**—**	**5,374**	**(248,044)**
Credited/ (charged) to the consolidated income statement *(Note 10)*	**3,479**	**14,257**	**15,369**	**5,185**	**23,683**	**(16,657)**	**45,316**
Exchange differences	**(45)**	**(11)**	**—**	**—**	**—**	**7**	**(49)**
At 31 December 2008	**(108,705)**	**50,447**	**(36,858)**	**(135,778)**	**23,683**	**(10,395)**	**(217,606)**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. At 31 December 2008, the Group had unrecognized tax losses to be carried forward against future taxable income amounted to RMB362,915,000 (2007: RMB237,827,000).

22 Deferred income taxes (continued)

The expiry of unrecognized tax losses are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Tax losses without expiry date	**112,865**	120,144
Tax losses expiring after five years	**119,523**	89,151
Tax losses expiring in five years	**130,527**	28,532
	362,915	237,827

As at 31 December 2008, the potential deferred income tax assets in respect of the above tax losses which have not been recognized amounted to RMB89,936,000 (2007: RMB58,251,000).

23 Inventories

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Raw materials	**248,821**	248,329
Work in progress	**52,552**	96,780
Finished goods	**3,939,597**	1,931,986
Consumables	**14,832**	8,092
	4,255,802	2,285,187
Less: provision for impairment losses	**(26,838)**	(3,536)
	4,228,964	2,281,651

24 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 December 2008, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**1,643,039**	1,316,312
31 to 60 days	**73,989**	50,680
61 to 90 days	**38,508**	13,809
Over 90 days	**109,325**	14,310
	1,864,861	1,395,111

The carrying amounts of trade receivables approximate their fair values.

24 Trade receivables (continued)

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
RMB	**1,837,966**	1,389,950
HK$	**21,074**	4,138
US$	**1,159**	952
Other currencies	**4,662**	71
	1,864,861	1,395,111

The credit quality of trade receivables neither past due nor impaired has been assessed by reference to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

As at 31 December 2008, trade receivables of RMB147,833,000 (2007: RMB28,119,000) were past due but for which the Group has not provided for impairment losses. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
61 to 90 days	**38,508**	13,809
91 to 150 days	**95,850**	13,866
Over 150 days	**13,475**	444
	147,833	28,119

During the year ended 31 December 2008, trade receivables of RMB1,202,000 (2007: RMB12,000) were written off.

25 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss represented unlisted managed funds in the PRC and were presented within "operating activities" as part of the changes in working capital in the cash flow statement. Changes in fair values of financial assets at fair value through profit or loss were recorded in "other gains" in the consolidated income statement. During the year, all these assets have been disposed of by the Group.

26 Derivative financial instruments

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Forward foreign exchange contracts		
– held for trading	**—**	42,665

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedged item is less than 12 months.

There were no outstanding forward foreign exchange contracts as at 31 December 2008.

27 Structured bank deposits

The weighted average effective interest rate of the Group's structured bank deposits as at 31 December 2008 was 6.00% (2007: Nil). The balance was denominated in RMB.

28 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 December 2008 was 4.03% (2007: Nil). The balance was denominated in RMB.

29 Cash and cash equivalents

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**2,270,732**	1,399,485	**778**	213
Term deposits with initial terms of less than three months	**55,864**	3,813,682	**—**	—
	2,326,596	5,213,167	**778**	213
Denominated in				
RMB	**2,145,772**	745,201	**—**	—
HK$	**145,463**	4,337,636	**778**	213
US$	**624**	128,047	**—**	—
Other currencies	**34,737**	2,283	**—**	—
	2,326,596	5,213,167	**778**	213

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 31 December 2008 was 2.88% (2007: 3.54%).

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

30 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. At 31 December 2008, the aging analysis of trade payables is as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
0 to 30 days	**1,006,904**	616,733
31 to 60 days	**425,114**	1,101
Over 60 days	**27,151**	—
	1,459,169	617,834

The carrying amounts of trade payables approximate their fair values.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
RMB	**1,448,336**	606,320
HK$	**5,964**	2,908
US$	**4,281**	8,606
Others	**588**	—
	1,459,169	617,834

31 Other payables, accruals and other current liabilities

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accrued wages, salaries, bonuses and staff welfare	**267,888**	203,825	**—**	—
Value-added tax, business tax and other taxes payable	**178,099**	101,163	**—**	—
Customers deposits	**198,076**	141,135	**—**	—
Other accrued expenses and payables	**312,355**	55,546	**1,621**	205
Purchase consideration payable for acquisitions *(Note 36(c))*	**20,000**	—	**—**	—
Other current liabilities	**3,828**	4,100	**—**	—
	980,246	505,769	**1,621**	205

32 Borrowings

(a) Borrowings are analyzed as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Current borrowings:		
Bank borrowings	**482,393**	200,000
Trust receipt loans	**21,055**	—
	503,448	200,000
Representing:		
Unsecured	**503,448**	—
Secured	**—**	200,000
	503,448	200,000

The exposure of the Group's bank borrowings to interest rate changes and the weighted average effective interest rates are as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
At fixed rates	**—**	200,000
At floating rates	**503,448**	—
	503,448	200,000
Weighted average effective interest rates	**2.01%**	6.48%

The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
RMB	**—**	200,000
HK$	**503,448**	—
	503,448	200,000

The carrying amounts of bank borrowings approximate their fair values.

32 Borrowings (continued)

(b) The Group's banking facilities, including borrowings, trade finance and other general banking facilities, were secured as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net book value of property, plant and equipment pledged	—	228,000
Net book amount of leasehold land and land use rights pledged	—	64,162
	—	292,162
Cross gurarantees among subsidaries of the Group	**887,799**	249,196
Guaranteed by the Company	**1,953,563**	313,546
Corresponding banking facilities utilized	**503,448**	200,000

The Group had the following undrawn committed borrowing facilities:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Expiring within one year		
– at floating rates	**1,382,711**	272,248
– at fixed rates	—	50,000
	1,382,711	322,248

33 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	Total	Nominal amount *RMB'000*
For the year ended 31 December 2008				
Authorised:				
As at 1 January 2008 and 31 December 2008	**30,000,000,000**	**—**	**30,000,000,000**	**296,038**
Issued and fully paid:				
As at 1 January 2008	**8,441,333,000**	**—**	**8,441,333,000**	**83,126**
Repurchase of shares *(note a)*	**(7,100,000)**	**—**	**(7,100,000)**	**(70)**
As at 31 December 2008	**8,434,233,000**	**—**	**8,434,233,000**	**83,056**
For the year ended 31 December 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	295,625
As at 31 December 2007	30,000,000,000	—	30,000,000,000	296,038
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 31 December 2007	8,441,333,000	—	8,441,333,000	83,126

33 Share capital and share premium (continued)

Note:

(a) During the year, the Company repurchased 7,100,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$40,263,000 (equivalent to RMB35,502,000) (2007: Nil). The highest and lowest price paid per share were HK$5.70 and HK$5.50 respectively. These shares were cancelled during the year.

(b) Pursuant to a resolution passed on 27 April 2007, the 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 RMB296,038,000) 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.

(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 capitalization 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 each through the global offering for an aggregate 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

Company

	RMB'000
As at 1 January 2007	1,435,889
Capitalization issue	(69,763)
Issue of shares	8,269,822
Share issuance costs	(268,627)
As at 31 December 2007	9,367,321
Repurchase of shares	**(35,432)**
As at 31 December 2008	**9,331,889**

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.

33 Share capital and share premium (continued)

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 calibres 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 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 "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 has contributed or will contribute to the Group (collectively "Qualified Participants").

The Share Option Scheme shall be valid and effective for 10 years from the date on which the shares of the Company first commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme or 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 as of the Listing Date, unless such scheme mandate limited is renewed by shareholders of the Company in a general meeting.

No options have been granted under the Share Option Scheme since its adoption and up to 31 December 2008.

34 Reserves

Group

(a) Movements in the reserves of the Group are set out in the consolidated statement of changes in equity.

(b) Under the Company Law. Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the merge reserve 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.

The merger reserve of the Group mainly represents the difference between the nominal amount of the share capital issued by the Company and the nominal amount of the share capital of the subsidiaries transferred to the Company pursuant to the reorganization of the Group that took place in 2005.

(c) Statutory reserves are non-distributable and the transfers of these funds are determined by the Board of Directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

Company

	Capital redemption reserve	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2007	—	400,291	400,291
Profit for the year	—	805,784	805,784
Dividends paid	—	(653,241)	(653,241)
As at 31 December 2007	—	552,834	552,834
Profit for the year	**—**	**1,044,836**	**1,044,836**
Repurchase of shares *(Note 33(a))*	**70**	**(70)**	**—**
Dividends paid	**—**	**(548,687)**	**(548,687)**
As at 31 December 2008	**70**	**1,048,913**	**1,048,983**

35 Consolidated cash flow statement

(a) Reconciliation of profit for the year to net cash generated from operations

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Profit for the year	**2,003,037**	1,978,620
Adjustments for:		
Income tax expense	**257,558**	43,197
Amortization of leasehold land and land use rights and intangible assets	**139,377**	55,190
Depreciation on property, plant and equipment	**509,873**	336,423
Depreciation on investment properties	**979**	711
Loss/(gain) on disposal of property, plant and equipment	**10,227**	(62)
Impairment losses on inventories	**40,394**	376
Impairment losses on trade receivables	**1,202**	12
Gain on available-for-sale financial assets	**(27,547)**	—
Unrealized fair value gain on financial assets at fair value through profit or loss	**—**	(6,703)
Unrealized fair value gain on derivative financial instruments	**—**	(42,665)
Exchange differences	**41,222**	182,033
Interest income	**(72,552)**	(502,235)
Interest expense	**29,736**	27,299
	2,933,506	2,072,196
Changes in working capital:		
Increase in long-term deposits, prepayments and other non-current assets	**(91,924)**	(135,398)
Increase in inventories	**(1,304,812)**	(700,607)
Increase in trade receivables	**(276,280)**	(556,866)
Increase in other receivables, deposits and prepayments	**(148,720)**	(116,174)
Decrease/(increase) in financial assets at fair value through profit or loss	**396,703**	(390,000)
Decrease in derivative financial instruments	**42,665**	—
Change in balances with related parties	**—**	(128,839)
Decrease in trust receipt loans	**(34,026)**	(23,496)
Increase in trade payables	**728,139**	169,353
Increase in other payables, accruals, other current and non-current liabilities	**215,930**	147,685
Net cash generated from operations	**2,461,181**	337,854

35 Consolidated cash flow statement (continued)

(b) In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Net book value *(Note 16)*	**17,307**	2,886
(Loss)/gain on disposal of property, plant and equipment *(Note 8)*	**(10,227)**	62
Proceeds from sale of property, plant and equipment	**7,080**	2,948

36 Business combination

(a) During the year ended 31 December 2008, the Group acquired the following subsidiaries and businesses:

(i) Acquisition of Millie's business

Effective 1 January 2008, Full Brand Limited, a wholly-owned subsidiary of the Group, acquired the entire equity interests in Ossia Marketing (HK) Limited and Ossia International (HK) Limited. These companies are incorporated in Hong Kong and principally engaged in the distribution and retail sales of footwear products in Hong Kong, Macau and the PRC, mainly under the brandname of "Millie's". The initial consideration for the acquisition is HK$600,000,000 (equivalent to RMB559,224,000) and subject to further payment of an amount not exceeding HK$200,000,000 (equivalent to RMB186,500,000), calculated with reference to certain performance conditions.

(ii) Acquisition of Senda business

In November 2007, New Belle Footwear (Shenzhen) Company Limited ("New Belle"), a wholly-owned subsidiary of the Group, entered into a series of agreements with Senda, pursuant to which New Belle has agreed to acquire interests in certain assets, business and companies (collectively the "Senda Business") from Senda. The Senda Business is principally engaged in the manufacturing and retail sales of men's and ladies' footwear products in the PRC. The aggregate consideration for the acquisition of the Senda Business amounted to approximately RMB2,108,602,000. The Senda Business has been gradually transferred to the Group during the period from 1 January 2008 to 31 May 2008.

36 Business combination (continued)

(a) During the year ended 31 December 2008, the Group acquired the following subsidiaries and businesses: (continued)

(iii) Acquisition of Mirabell business

Effective 1 June 2008, Belle Group Limited, a wholly-owned subsidiary of the Group, acquired all of the issued and to be issued shares in the share capital, and for the cancellation of all the outstanding share options, of Mirabell International Holdings Limited ("Mirabell International"). Total considerations paid for the acquisition was HK$1,615,656,000 (equivalent to RMB1,475,950,000).

The net assets acquired in the transactions and the relevant goodwill arising are as follows:

	Millie's business *RMB'000*	**Senda's business** *RMB'000*	**Mirabell's business** *RMB'000*	**Total** *RMB'000*
Purchase considerations				
– paid in cash	559,224	2,088,602	1,475,950	4,123,776
– payable	—	20,000	—	20,000
– direct expenses relating to the acquisitions	388	—	7,650	8,038
	559,612	2,108,602	1,483,600	4,151,814
Fair value of net identifiable assets acquired (see below)	(106,094)	(1,577,086)	(816,741)	(2,499,921)
Goodwill *(Note 19)*	453,518	531,516	666,859	1,651,893

36 Business combination (continued)

(a) During the year ended 31 December 2008, the Group acquired the following subsidiaries and businesses: (continued)

	Millie's business		Senda's business		Mirabell's business		Total	
	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property plant and equipment and leasehold land and land use rights *(Notes 16 and 17)*	19,914	19,914	605,946	1,037,218	36,516	76,071	662,376	1,133,203
Intangible assets *(Note 19)*	—	99,138	—	324,120	10,136	273,650	10,136	696,908
Inventories	110,661	110,661	311,659	311,659	229,820	260,575	652,140	682,895
Cash and cash equivalents	7,195	7,195	126,306	126,306	225,325	225,325	358,826	358,826
Other assets	72,096	72,096	88,077	88,077	147,259	147,259	307,432	307,432
Net deferred tax assets/(liabilities) *(Note 22)*	966	(15,392)	—	(188,848)	6,202	(43,804)	7,168	(248,044)
Bank borrowings	(55,081)	(55,081)	—	—	—	—	(55,081)	(55,081)
Other liabilities	(130,847)	(130,847)	(121,446)	(121,446)	(122,335)	(122,335)	(374,628)	(374,628)
	24,904	107,684	1,010,542	1,577,086	532,923	816,741	1,568,369	2,501,511
Minority interests	(1,590)	(1,590)	—	—	—	—	(1,590)	(1,590)
Net identifiable assets acquired	23,314	106,094	1,010,542	1,577,086	532,923	816,741	1,566,779	2,499,921

Note:

During the year, the acquisitions were completed and the Group accounted for these business combinations from the effective dates when the Group gained control over the relevant companies and businesses.

Senda's business contributed revenue of RMB1,145,290,000 and profit of RMB90,414,000 to the Group for the year ended 31 December 2008 since acquisition. The revenues and results contributed by the businesses of Millie's and Mirabell to the Group for the year ended 31 December 2008 since their respective acquisition dates, individually or in aggregate, are relatively insignificant to the Group. The Group's revenues and profit for the year ended 31 December 2008 would not be materially different if all these acquisitions had occurred on 1 January 2008.

36 Business combination (continued)

(b) During the year ended 31 December 2007, the Group acquired Fila business:

Effective 1 September 2007, the Group acquired an 85% interest in the trademarks of "Fila" for the PRC, Hong Kong and Macau markets, together with certain related businesses, and a 100% interest in Fila Marketing (Hong Kong) Limited (collectively the "Fila Business") from a third party. The Fila Business is principally engaged in the distribution and sales of sporting shoes and apparel in Hong Kong and the PRC under the brandname of "Fila".

Details of net assets acquired and goodwill are as follows:

	As at 1 September 2007 *RMB'000*
Purchase considerations	
– paid in cash	368,788
– payable *(note)*	51,393
Fair value of net identifiable assets acquired (see below)	(399,515)
Goodwill *(Note 19)*	20,666

The assets and liabilities arising from the acquisition were as follows:

	Acquiree's carrying amount *RMB'000*	Fair value *RMB'000*
Intangible assets *(Note 19)*	—	474,173
Property, plant and equipment *(Note 16)*	2,198	2,198
Inventories	11,558	11,558
Trade receivables	1,508	1,508
Other receivables, deposits and prepayments	9,712	9,712
Cash and cash equivalents	8,541	8,541
Trade payables	(207)	(207)
Other payables, accruals and other current liabilities	(23,885)	(23,885)
Deferred income tax liabilities *(Note 22)*	—	(20,666)
	9,425	462,932
Minority interests	—	(63,417)
Net asset acquired	9,425	399,515

Note:

In connection with the purchase of the Fila Business, part of the consideration was deferred for settlement. As of 31 December 2008, the carrying amounts of the deferred consideration payable in the next twelve months and over the next twelve months were RMB3,828,000 (2007: RMB4,100,000) and RMB46,595,000 (2007: RMB47,293,000) respectively. The deferred consideration is not wholly repayable within five years.

36 Business combination (continued)

(c) In the cash flow statement, payments for acquisition of subsidiaries and businesses (excluding cash acquired for acquisitions) comprise:

	Year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Total purchase considerations	**4,151,814**	368,788
Prepayments made in 2007 *(Note 21)*	**(904,552)**	—
Considerations payable as at 31 December 2008 *(Note 31)*	**(20,000)**	—
Total purchase consideration paid during the year	**3,227,262**	368,788
Cash and cash equivalents acquired	**(358,826)**	(8,541)
Net cash outflow for acquisitions	**2,868,436**	360,247

37 Commitments

(a) Capital commitments

As at 31 December 2008, the Group had the following capital commitments not provided for:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Acquisition of subsidiaries:		
– Contracted but not provided for	**—**	1,689,888
Acquistion of property, plant and equipment:		
– Contracted but not provided for	**—**	139,130
Construction commitments:		
– Contracted but not provided for	**22,971**	178,367
	22,971	2,007,385

37 Commitments

(b) Operating lease commitments

As at 31 December 2008, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Not later than one year	**596,022**	624,239
Later than one year and not later than five years	**761,686**	524,311
Later than five years	**390,455**	350,117
	1,748,163	1,498,667

Generally, the Group's operating leases are for terms of one to ten years.

The actual payments in respect of certain operating leases are calculated at a certain percentage of sales of the respective retail outlets or at the higher of the minimum commitments as noted above and the amounts determined based on a percentage of the sales of the related outlets.

The Company did not have any significant commitment at 31 December 2008 (2007: Nil).

38 Future minimum rental payments receivable

At 31 December 2008, the aggregate future minimum rental payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2008	2007
	RMB'000	*RMB'000*
Not later than one year	**6,306**	3,500
Later than one year and not later than five years	**745**	24
	7,051	3,524

39 Related party transactions

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

Name of related parties	Relationship with the Group
Mirabell International	A beneficial shareholder of the Group before 27 July 2007 and a subsidiary of the Group effective from 1 June 2008
Mirabell Footwear Limited	A subsidiary of Mirabell International
宏裕貿易（深圳）有限公司 (Hong Yu Trading (Shenzhen) Company Limited)	A subsidiary of Mirabell International

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 form related party transactions in addition to the related party information shown elsewhere in the consolidated financial statements.

Profit and loss items:

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Sales of goods		
– Mirabell Footwear Limited *(note a)*	**568**	887
Royalty expense		
– Hong Yu Trading (Shenzhen) Company Limited *(note b)*	**2,870**	6,755
Key management compensation		
– Salaries, bonuses and other welfare *(note c)*	**29,155**	32,221

Note:

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

(b) Royalty expense 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 operational and financial decisions.

40 Particulars of principal subsidiaries

At 31 December 2008, the Company had the following principal subsidiaries:

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Directly held:				
Belle International (China) Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings /Hong Kong
Bestfull International Limited	515,001 shares of HK$1 each	100%	Hong Kong	Investment holdings /Hong Kong
Full Sport Holdings Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings /Hong Kong
Lai Wah Footwear Trading Limited	20,000 shares of HK$100 each	100%	Hong Kong	Investment holdings /Hong Kong
Lead Chance Limited	1,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings /Hong Kong
Belle Group Limited	10,000 shares of US$1 each	100%	British Virgin Islands ("BVI")	Investment holdings /Hong Kong
Famestep Management Limited	10,000 shares of US$1 each	100%	BVI	Investment holdings /Hong Kong
Fullbest Investments Limited	20,000 shares of US$1 each	100%	BVI	Investment holdings /Hong Kong
Full Prospect Limited	50,000 shares of US$1 each	85%	Cayman Islands	Investment holdings /Hong Kong

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held:				
Belle Footwear (Hong Kong) Company Limited	20,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Belle Worldwide Limited	3 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Fila Marketing (Hong Kong) Limited	79,800,000 shares of HK$1 each	100%	Hong Kong	Trading of sporting shoes and apparel/Hong Kong
Fiorucci (HK) Limited	10,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Joy & Peace Footwear (HK) Limited	1,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Manner Holdings Limited	2 shares of HK$1 each	100%	Hong Kong	Property holdings/Hong Kong
Millie's (China) Limited	14,000 shares of HK$1,000 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Millie's Company Limited	1,000,000 shares of HK$10 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Millie's International Company Limited	2 shares of HK$1 each	100%	Hong Kong	Property holdings/Hong Kong
Mirabell Footwear Limited	2 ordinary shares of HK$100 each 2,016 non-voting deferred shares of of HK$100 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Puppies Company Limited	1,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Senses Marketing International Limited	10,000 shares of HK$1 each	100%	Hong Kong	Wholesale of shoes and footwear products/Hong Kong

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held (continued):				
Shoesnet Co Limited	10,000 shares of HK$1 each	100%	Hong Kong	Property holdings/the PRC
Staccato Footwear Company Limited	300,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Artigiano Footwear Limited	30,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/Macau
Staccato Footwear (Macau) Company Limited	2 shares of MOP 12,500 each	100%	Macau	Trading of shoes and footwear products/Macau
Mirabell International Holdings Limited	263,320,000 shares of HK$0.1 each	100%	Cayman Islands	Investment holdings /Hong Kong
Staccato (IP) Limited	100 shares of US$1 each	100%	Mauritius	Trademark holdings/Macau
Hornet Agents Limited	1 share of US$1	100%	BVI	Trademark holdings /Hong Kong
Mirabell Footwear (Taiwan) Limited	1 share of US$1	100%	BVI	Trading of shoes and footwear products/Taiwan
Mirabell Investments Limited	1 shares of US$1	100%	BVI	Investment holdings /Hong Kong
Full Prospect (IP) Pte Limited	200,000 shares of US$1 each	100%	Singapore	Trademark holdings /Singapore
合眾服飾（深圳）有限公司 (Hezhong Apparel (Shenzhen) Limited)#	US$10,000,000	100%	The PRC	Manufacturing and trading of shoes, footwear products and apparel/the PRC
廣州市滔搏體育發展商貿有限公司 (Guangzhou Taobo Sports Development Company Limited)#	US$25,000,000	100%	The PRC	Operation of sports complex business/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held (continued):				
滔搏商貿（瀋陽）有限公司 (Shenyang Taobo Trading Company Limited)#	US$5,000,000	100%	The PRC	Operation of sports complex business/the PRC
百朗商貿（深圳）有限公司 (Bailang Trading (Shenzhen) Company Limited)#	US$5,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
北京崇德商貿有限公司 (Beijing Chongde Trading Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
法迅貿易（上海）有限公司 (Faxun Trading (Shanghai) Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
Lai Kong Footwear (Shenzhen) Company Limited#	US$8,771,368	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
麗珂貿易（瀋陽）有限公司 (Li'ke Trading (Shenyang) Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
New Belle Footwear (Shenzhen) Company Limited#	US$130,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
青島傳承國際貿易有限公司 (Qingdao Chuancheng International Trading Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
陝西滔搏體育商貿易有限公司 (Shanxi Taobo Sports Trading Company Limited)@	RMB240,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held (continued)**:**				
深圳市滔搏商貿有限公司 (Shenzhen Taobo Trading Company Limited)@	RMB180,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
成都市滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited)@	RMB242,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
武漢市滔搏商貿有限公司 (Wuhan Taobo Trading Company Limited)@	RMB32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
雲南立鋭體育用品有限公司 (Yunnan Lirui Sports Company Limited)@	RMB220,750,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
吉林市滔搏商貿有限公司 (Jilinshi Taobo Trading Company Limited)@	RMB1,000,000	100%	The PRC	Operation of sports complex business/the PRC
哈爾濱滔搏商貿有限公司 (Harbin Taobo Trading Company Limited)@	RMB12,000,000	100%	The PRC	Operation of sports complex business/the PRC
遼源市滔搏商貿有限公司 (Liaoyuan Taobo Trading Company Limited)@	RMB500,000	100%	The PRC	Operation of sports complex business/the PRC
東莞市滔搏體育用品有限公司 (Dongguanshi Taobo Trading Company Limited)@	RMB1,800,000	100%	The PRC	Operation of sports complex business/the PRC
江蘇森達鞋業有限公司 (Jiangsu Senda Footwear Company Limited)@	RMB294,250,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海百思圖鞋業有限公司 (Shanghai Basto Footwear Company Limited)@	RMB980,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held (continued)**:**				
上海新百思圖鞋業有限公司 (Shanghai New Basto Footwear Company Limited)[@]	RMB50,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海璽威登國際貿易有限公司 (Shanghai Xiweideng International Trading Company Limited)[@]	RMB10,000,000	100%	The PRC	Trading of shoes and footwear products/the PRC
上海麗德鞋業有限公司 (Shanghai Lide Footwear Company Limited)[@]	RMB371,800,000	100%	The PRC	Manufacturing of shoes and footwear products/the PRC

\# *The company is established as a wholly foreign-owned enterprise in the PRC.*

@ *The company is established as a limited liability company in the PRC.*