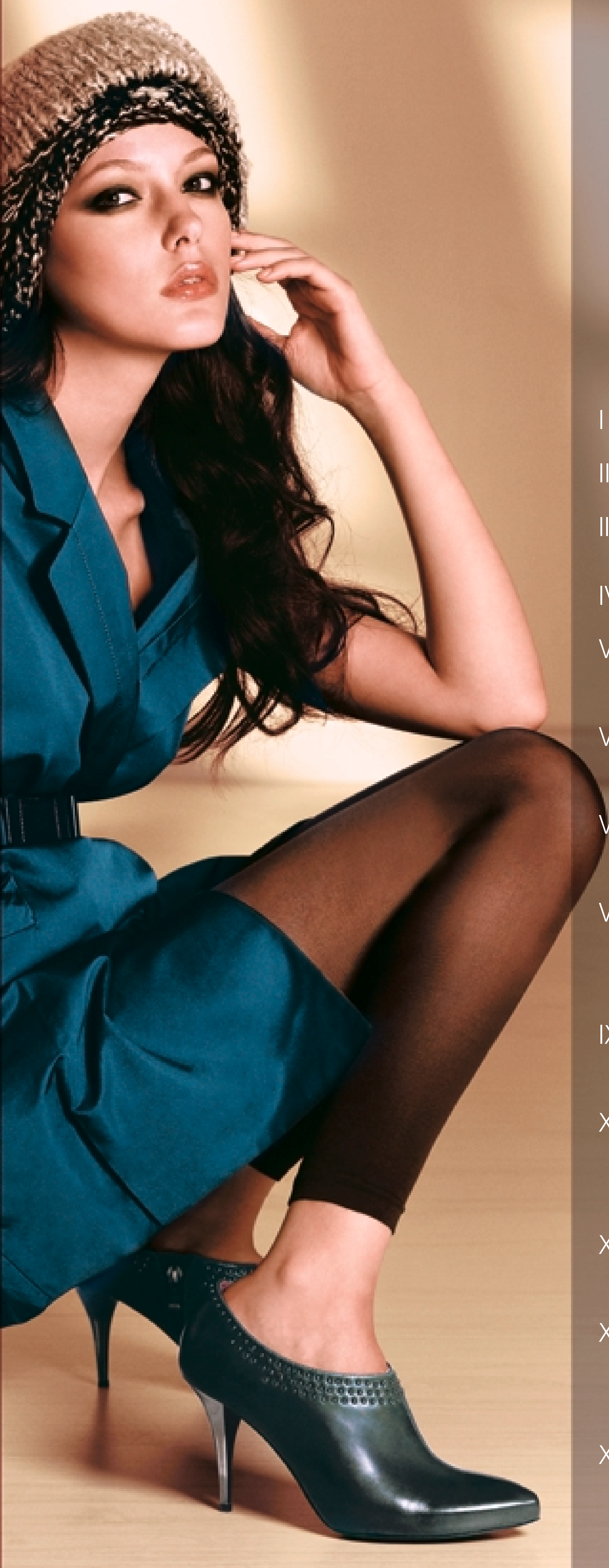
百麗國際控股有限公司
Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2009 中期業績報告
(Stock code: 1880)



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Tang Yiu (Chairman)
Mr. Sheng Baijiao (Chief Executive Officer)
Mr. Yu Mingfang
Mr. Tang King Loy

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

Mr. Tang King Loy
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

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

Head Office and Principal Place of Business in Hong Kong

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Stock Code

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www.belleintl.com

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1 Connaught Place
Central
Hong Kong

Auditor

PricewaterhouseCoopers
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Central
Hong Kong

Principal Share Registrar

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Cayman Islands

Hong Kong Branch Share Registrar

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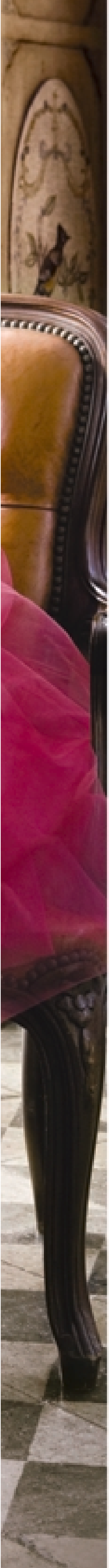
Wanchai
Hong Kong

Principal Bankers

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



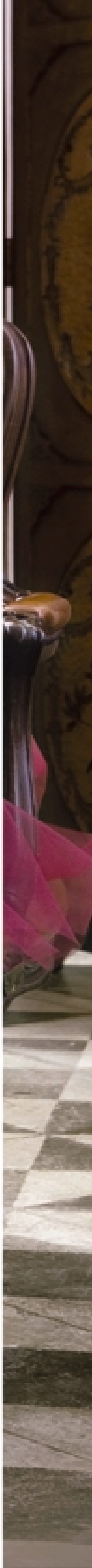
FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2009	2008
Revenue	RMB'000	**9,309,910**	8,228,341
Operating profit	RMB'000	**1,265,163**	1,138,944
Operating profit before other income and other gains *(Note)*	RMB'000	**1,253,182**	1,098,767
Income tax expense	RMB'000	**149,069**	139,142
Profit attributable to the Company's equity holders	RMB'000	**1,135,773**	988,061
Gross profit margin	%	**52.4**	50.8
Operating profit margin	%	**13.6**	13.8
Operating profit margin before other income and other gains	%	**13.5**	13.4
Net profit margin	%	**12.2**	12.0
Earnings per share – basic	RMB cents	**13.47**	11.71
– diluted	RMB cents	**13.47**	11.71
Interim dividend per share	RMB cents	**3.50**	3.00

		As at	
		30 June 2009	31 December 2008
Gearing ratio	%	**27.8**	3.0
Current ratio	times	**1.9**	3.0
Average trade receivables turnover period	days	**33.0**	33.4
Average trade payables turnover period	days	**42.6**	44.1
Average inventory turnover period	days	**162.1**	138.1

Note:

Other income for the six months ended 30 June 2009 and 2008 consists mainly of government subsidies and rental income. Other gains for the six months ended 30 June 2008 consist mainly of gains on forward foreign exchange contracts.



STATEMENT FROM CHAIRMAN

Dear Shareholders,

In the first half of 2009, the world economy has yet to come out of the economic downturn. With the combined effect of a pro-active fiscal policy, a moderately easy monetary policy, industry revitalization plans and regional development packages, domestic economy has shown positive signs of recovery. However, the negative impact on our economy of the global financial crisis is still existent and profound. It also takes time for the stimulus policies to achieve expected targets. There is still a lack of confidence among enterprises and consumers and demand from abroad is still weak. All these issues will not reverse course overnight and thus will negatively affect the quality and prospect of the economic recovery. From the fourth quarter of last year we articulated action plans to deal with the financial crisis and economic downturn. With committed execution these plans have been effective in achieving results.

For the six months ended 30 June 2009 the Group recorded a growth of 13.1% in sales and 14.9% in profit attributable to equity holders of the Company as compared with the same period of last year. During the first half year, there were 287 net additions to company-managed footwear retail outlets and 346 net reductions to company-managed sportswear retail outlets. As at 30 June 2009 the total number of company-managed retail outlets reached 9,325, of which 9,104 outlets are located in Mainland China and 221 are located in Hong Kong, Macau and Taiwan.

I believe in the second half of 2009, economies both at home and abroad will gradually stabilize as the macro policies take full effect. After weathering the dangers of the economic crisis, the Group will continue to grow in a steady and sustainable way as the economic environment recovers from the bottom.

Tang Yiu
Chairman

26 August 2009


funny
popcorn
Funny Happy Crispy

STATEMENT FROM CEO

Dear Shareholders,

The Group's overall revenue increased by 13.1% to RMB9,309.9 million in the first half of 2009 when compared with the same period last year. Revenue of the footwear business increased 25.0% to RMB5,316.1 million. The sportswear business recorded revenue of RMB3,993.8 million, flattish from the same period last year. The footwear business contributed 57.1% to the Group's revenue, which was significantly higher than the 51.7% contribution in the first half of 2008.

The margin of segment result of the footwear business was lower than the same period last year, but slightly picking up from the levels in the second half of 2008. Within the footwear business the core existing brands still maintained steady growth without erosions in profit margin. The operating efficiency and profitability of newly acquired businesses, including Senda, Millie's and Mirabell, are still not comparable with the core existing brands so as a result there is a dilution effect. Due to the state of economy the business outside Mainland China is not performing well, which is also a drag on overall profitability.

For the sportswear business, the Group continued to implement the consolidation and adjustment strategy articulated last year and achieved positive results. Even without revenue growth we have seen a recovery in profitability.

In the first half of 2009, despite the volatile macro economy and adverse business environment, the Group managed to achieve satisfactory results with the pro-active efforts of all our employees.

I am pleased to report the interim result for the first half of 2009 as follows:

Results for the first half of 2009

Revenue increased by 13.1% to RMB9,309.9 million. The footwear business achieved considerable growth in sales, most of which is from organic growth including retail network expansion and same store sales growth. Acquisition also contributed to part of the growth in the footwear business, with the sales of Mirabell for the full six months being consolidated while only one month of sales was included in the same period last year. The sportswear business recorded flattish revenue as compared with the same period last year.

Operating profit was RMB1,265.2 million, an increase of 11.1% from the same period last year. Operating profit before other income and other gains was RMB1,253.2 million, an increase of 14.1% from the same period last year. Other income consists mainly of government subsidies and rental income, and other gains consists mainly of gains on forward foreign exchange contracts, all of which were not directly related to the Group's core business. The increase is mainly due to a larger revenue base in the footwear segment. An improved profit margin of the sportswear business also contributed to part of the growth. Profit attributable to equity holders of the Company amounted to RMB1,135.8 million, an increase of 14.9%. The increase in net profit is consistent with the increase in both sales and operating profits.

Earnings per share amounted to RMB13.47 cents, an increase of 15.0% from the RMB11.71 cents for the same period last year. The board of directors (the "Board") has resolved to declare an interim dividend of RMB3.5 cents per share.

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, Teenmix, Tata, Staccato, Senda, Basto, JipiJapa, Millie's, Joy & Peace and Mirabell, etc. Distribution brands include Bata, Geox, Clarks, Mephisto, BCBG, Fiorucci, Merrell, Sebago and Caterpillar, etc.

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

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

	Six months ended 30 June				
	2009		2008		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**4,803.1**	**90.4%**	3,939.5	92.6%	21.9%
Distribution brands	**400.9**	**7.5%**	214.7	5.1%	86.7%
Sub-total	**5,204.0**	**97.9%**	4,154.2	97.7%	25.3%
OEM	**112.1**	**2.1%**	98.9	2.3%	13.3%
Total	**5,316.1**	**100.0%**	4,253.1	100.0%	25.0%

Unit: RMB million

Summary of the overall business development strategy of the Group (continued)

Sportswear business

Our sportswear business is mainly in the form of distribution business, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands Kappa, PUMA, Converse, Reebok and LiNing, etc. The distinction between first-tier brands and second-tier brands is based on two major factors. First, their relative importance – Nike and Adidas account for more than 80% of the overall sales of the sportswear business; Second, their operational, managerial and performance characteristics – Nike and Adidas have much better brand recognition among Chinese consumers and richer product offerings, so as a result their revenue per store is much higher than second-tier brands and thus profitability is also stronger.

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 periods indicated.

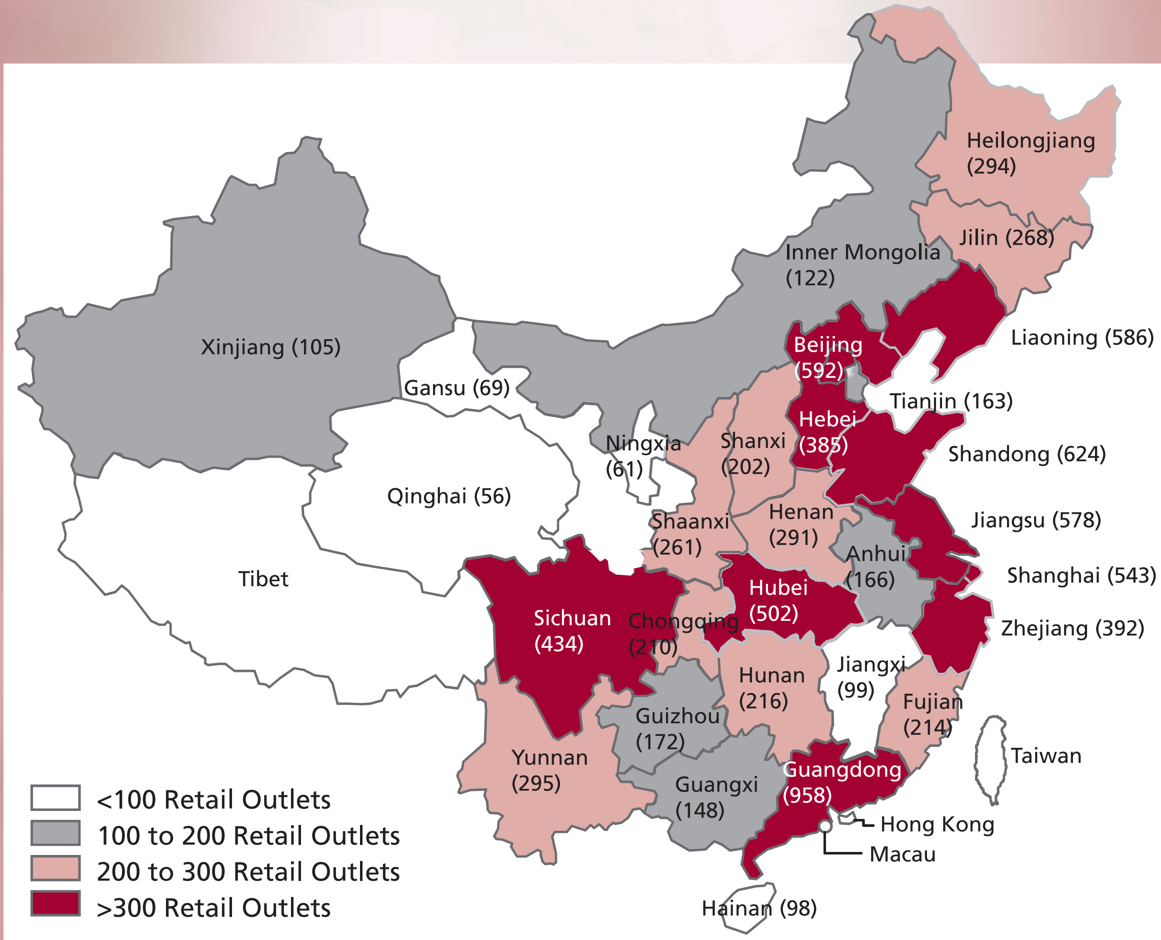
	Six months ended 30 June				
	2009		2008		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands *	**3,317.7**	**83.1%**	3,238.1	81.5%	2.5%
Second-tier sportswear brands *	**631.6**	**15.8%**	712.0	17.9%	-11.3%
Other sportswear business	**44.5**	**1.1%**	25.1	0.6%	77.3%
Total	**3,993.8**	**100.0%**	3,975.2	100.0%	0.5%

Unit: RMB million

* *The first-tier sportswear brands include Nike and Adidas. The second-tier sportswear brands include Kappa, PUMA, Converse, Reebok and LiNing, etc. The first-tier sportswear brands and second-tier sportswear brands are classified according to our Group's relative sales amounts.*

Expansion of company-managed retail network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 30 June 2009.



Expansion of company-managed retail network (continued)

The following table sets out the distribution of our company-managed retail outlets, by region and business segment in Mainland China as at 30 June 2009.

	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	1,027	194	1,221	369	89	—	458	1,679
Northern China	1,002	108	1,110	259	74	21	354	1,464
Southern China	870	74	944	213	91	—	304	1,248
North-eastern China	654	57	711	277	160	—	437	1,148
Shandong and Henan	446	24	470	270	175	—	445	915
Central China	445	43	488	130	100	—	230	718
South-western China	425	28	453	175	16	—	191	644
North-western China	360	34	394	107	51	—	158	552
Yunnan and Guizhou	254	17	271	104	92	—	196	467
Guangzhou	247	22	269	—	—	—	—	269
Total	5,730	601	6,331	1,904	848	21	2,773	9,104

Note: In addition, the Group operates 221 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

Most of the major economies of the world slipped into recessions in the second half of 2008. With various stimulus policies in place we have been seeing "green shoots" signaling recoveries in many countries around the world. It appears the worst part of the financial crisis and economic recession is behind us. However, there are still high levels of volatilities in the financial markets and also high levels of uncertainties in the economy. In the first half of 2009 we did not see a fundamental turnaround in a weak economy, both domestic and abroad. Business environment remains difficult. Although there has been a strong rebound in the stock market and property market, and some retail markets such as automobiles and home appliances have been performing well on the back of government support, we are still observing fairly low levels of consumer confidence. Weak consumer sentiment is still a key challenge for the business of the Group.

Overview of the market and management discussions (continued)

Footwear business

Our footwear business was negatively impacted by weak consumer sentiment. Sales performance from month to month has been fairly volatile. Consumers are sensitive to promotional activities. Promotions were heavier than usual in the first half especially the first quarter of 2009.

But even in this difficult business environment our core existing footwear business achieved relatively steady sales growth, without erosions in key operational metrics such as profit margins and inventory turnover efficiency. This is clear evidence of the distinct advantages of our flexible business model in the footwear business, our operational capabilities on a national platform, as well as our managerial experience accumulated from years of operations.

But at the same time the newly acquired brands, because of their relatively weaker market position, have been hit much harder than the core existing brands in the weak economy. Sales performance and same store sales growth are significantly weaker than core existing brands. Also their profitability and operational efficiencies are still lagging the core existing brands by a large margin.

The Hong Kong economy was greatly impacted in the second half of last year in the financial crisis. In the first half of 2009 GDP growth was still negative. Against this macroeconomic backdrop it did not come in as a surprise that the performance of our Hong Kong business was still very weak. Store productivity is relatively higher in Hong Kong but operating leverage is also high with the majority of the cost structure in fixed costs. In the current state of the economy sales performance is weak thus operating results are not satisfactory. With the rebound in the stock market and the property market, the consensus is Hong Kong will wade through the difficult times toward a recovery, which will have a positive impact on the Hong Kong business of the Group.

Sportswear business

The sportswear market continued to be sluggish, as in the second half of 2008. One reason is that the "destocking" process is still under way in this market, slowly digesting the inventory bubbles before the 2008 Olympics. Also we observed more cyclicality in the sportswear market. As a discretionary consumer business the sportswear market was negatively affected in a more significant way than footwear in the economic recession.

From the second half of last year we started to adjust our growth strategy in the sportswear business. Short-term objectives were set as rationalizing stores and improving profitability, and we have been seeing positive results. During the first half of the year we closed down 346 underperforming stores, on a net basis, with 304 in second-tier brands. At the same time, we are very much focused on managing details, such as improving merchandising and optimizing pricing strategies. As a result, even when the overall sportswear market and our own sales performance were still weak, we are pleased to see a recovery and improvement in profit margins in the sportswear business in the first half of 2009.

Overview of the market and management discussions (continued)

Changes in the Group's overall business structure

In the first half of the year revenue from the sportswear segment of the Group contributed to 42.9% of the total revenue, significantly lower than the 48.3% in the same period last year. Short term, this is mainly because of the change in our growth strategy in the sportswear business with a focus on profitability rather than top-line growth. As a result we have been closing down underperforming sportswear stores. Longer term the shift in percentage weighting is also consistent with our strategy to focus on the footwear business as the core business of the Group. With the more profitable footwear business taking a larger share of the revenue base, the overall profitability metrics of the Group will improve.

Within the footwear segment business composition is also changing, mostly driven by the newly acquired businesses. In terms of price point and revenue contribution, from the Senda acquisition we added middle-end brands such as Senda and Basto, which are slightly lower positioned than the core existing brands; from the Millie's and Mirabell acquisitions we added mostly brand coverage in the mid-to-high-end market. Because the newly acquired businesses are growing relatively faster, the revenue contribution from the brand portfolio of the Group will be gradually tilted away from the middle-end where most of the core existing brands are and spread over to more diversified price points. At the same time because newly acquired businesses have noticeably lower profitability and operating efficiencies, in the near term the change in business composition will have negative implications on operating metrics such as profit margins, store productivity and inventory turnover.

For the sportswear business, the Group's second-tier sportswear brands represented 15.8% of the sportswear business in the first half of 2009, lower than the 17.9% weighting in the same period of last year. The reason is in the first half we were very focused on rationalizing the store network for the sportswear business and closed down a fair number of underperforming stores, the majority of which were second-tier brand stores. In the remainder of the year we will continue the rationalization process. Revenue contribution from second-tier brands are expected to be further reduced. Because second-tier brands as a group have lower profitability and inventory turnover efficiency, the shift in business mix will help improve the profitability and efficiency of the Group's sportswear business.

As for regional mix, in the first half of 2009 revenue from regions outside of Mainland China was slightly higher, mostly due to the Mirabell acquisition, which was consolidated since 1 June 2008. Excluding this factor, our business in Mainland China is growing much faster, both in network expansion and also in same store sales growth. In the foreseeable future revenues from Hong Kong, Macau and Taiwan are expected to take on a smaller share of the overall business. Mainland China will continue to be the focus of our business operations and future development.

Overview of the market and management discussions (continued)

Changes in effective income tax rate

The effective income tax rate was 11.6% in the first half of the year, slightly lower than the 12.4% level in the same period of last year. The main reason is because He Zhong Apparel (Shenzhen) Limited ("He Zhong"), a subsidiary of the Group in the footwear business, saw its business growing at a relatively fast pace while the company is still exempted from corporate income taxes this year. We expect the effective income tax rate for the Group to remain at similar levels for the full year of 2009.

For year 2010 the effective income tax rate is expected to be higher. The main reason is because the corporate income tax exemption for He Zhong will expire and taking its place is a three-year preferential treatment of 50% reduction in local corporate income taxes. For year 2011 the effective income tax rate is expected to be higher than 2010 levels. The main reason is because the 50% reduction in local corporate income taxes for New Belle Footwear (Shenzhen) Limited, the main tax-paying entity for our footwear business in Mainland China, will expire by the end of 2010. He Zhong is still eligible for the preferential treatment of 50% reduction in local corporate income taxes until the end of 2012. We will continue to work with government bodies and taxation agencies at various levels and actively seek preferential tax treatments or other subsidies on a reasonable and practical basis, under conditions of promoting employment and developing local economies.

In Mainland China, the income tax rate for other footwear businesses such as Senda as well as the sportswear business will remain at the current level of about 25%. The income tax rate for our Hong Kong business is also expected to be steady.

The withholding tax rate applicable to the Group's subsidiaries in Mainland China on remittance of dividends to foreign holding companies is 5%. No significant change is expected in the foreseeable future.

Inventory turnover

The inventory balance as at 30 June 2009 was RMB3,707.8 million, lower than the balance of RMB4,229.0 million at the year-end of 2008, although sales flow was higher in the first half of 2009. The average inventory turnover days, however, increased from 138 days for the year of 2008 to 162 days for the first half of 2009. One reason is because of the timing of the balances in the calculation of the ratios. Another reason is because the newly acquired businesses have much lower inventory turnover efficiencies. The inventory turnover ratios of the core existing businesses of the Group have been very consistent and healthy. With the continued integration of the newly acquired businesses and potential improvement in the sportswear market, we expect inventory turnover efficiency to continue to improve.

Short-term bills financing

In the first half of the year the Group conducted some short-term financing in the form of bills payable. As at 30 June 2009 the balance was RMB6,203.7 million. The main purpose of the financing was to earn an interest spread. The financing cost through bills payable was lower than the interest the Group could earn from term deposits with the banks. With a matching term structure there was no significant market risk involved. Incremental credit risk was minimal as well.

As at 30 June 2009, the Group held cash and bank deposits totaling RMB8,887.9 million, and was in a net cash position of over RMB2,600 million after netting off the bills payable balances..

Overview of the market and management discussions (continued)

The sale of Fila business

In the second half of 2007, the Group set up a joint venture, Full Prospect Limited ("Full Prospect"), together with Fila Luxembourg. The Group has an 85% interest in Full Prospect, which owns the trademarks in the PRC, Hong Kong and Macau that are related to the "FILA" brand. On 12 August 2009 the Group reached an agreement with a subsidiary of ANTA Sports Products Limited, through a series of transactions, to dispose of the Group's entire 85% interest in Full Prospect, 100% interest in Fila Marketing (Hong Kong) Limited ("Fila Marketing", which is principally engaged in the retail business of selling "FILA" products in Hong Kong and Macau), and to assign the rights and obligations under other agreements between the Group and Fila Luxembourg. The completion of the sale is subject to certain conditions precedent being fulfilled, including the approval by the Ministry of Commerce of the PRC with regard to the PRC anti-monopoly filing.

In almost two years since the acquisition the Group has been working hard on the development of Fila business in China. However, during the process we came to realize that the specific skill set and experience required to develop an international sportswear brand in China are different from our experience in developing footwear brands and managing the sportswear distribution business. The Group considers it unlikely that its objectives can be achieved in a short period of time. This problem is further aggravated by the weak economic conditions. After careful consideration of current market situations and business priorities we decided to divest the Fila business and focus on our core footwear business.

The pricing for the disposal of Fila Business is determined after taking into account (1) the RMB equivalent of the original value, in US dollars, of Fila PRC Trademarks at the time of the Group's acquisition and (2) the net asset value of Full Prospect and Fila Marketing respectively as at the date of completion of the transaction.

Since the Fila business has yet to break even the divesture would help improve the overall profitability of the Group's sportswear business.

Integration of newly acquired businesses

As discussed above in the currently weak economic environment the newly acquired brands are facing much more pressure than the core existing brands. Sales volume of existing stores has not improved and at the same time new stores are still in the ramp-up stage with low productivity. Overall the newly acquired businesses are lagging the core existing brands in both profitability and operating efficiencies by a large margin. As a result, even though the internal integration process has been smooth and on track, the positive effects and synergies have not shown up in terms of financial results.

Senda: The first stage of the integration process, i.e. the restructuring and optimization of internal resources, was completed by the end of last year. Currently the integration is in the stage of expanding the retail network. The progress is meeting expectations as we have been seeing significantly more points of sales added since the second half of 2008. For Senda current business focuses are optimizing the balance between men's shoes and ladies' shoes as well as the related store format, and increasing store productivity in order to reduce expense ratios and improve profit margins.

Millie's and Mirabell: These two businesses had very different operating models than the vertically integrated model in our core footwear business before the acquisitions. Currently the integration process is focused on insourcing R&D and production, and revamping their supply chain models to improve efficiencies and flexibility in merchandising. We do not plan to aggressively expand the retail network until the internal integration of resources and processes is fully completed.

With the gradual recovery of the macro economy as well as consumer confidence, we expect to improve the operating metrics and financial measures of the newly acquired businesses to similar levels of our core existing brands with a time horizon of two to three years.

Prospect

Data and signals from many sources are indicating the worst might be over and we have passed the bottom of the economic crisis. However the road to recovery is neither straight nor even. Consumer confidence indices issued by marketing consultancies indicate that although domestic consumer confidence is rebounding from the first quarter bottoms it has not yet recovered the levels of the second half of 2008. Excluding consumption by governments and businesses, consumption by individual residents is still weak. And the marginal propensity to consume is still low.

After carefully observing the macroeconomic environment and monitoring our own business performance we currently hold the view that on the one hand the improving trend in the macro economy will help position us better to achieve the performance targets for the full year, and on the other hand we still have to be conscientious and prudent in managing the business and dealing with potential difficulties and challenges.

In the footwear business the sales volume is expected to achieve moderate growth in the second half of the year. The main growth drivers are the incremental point of sales growth and same store sales growth of the core existing brands, as well as the expansion of retail network in the newly acquired businesses. As the retail market becomes less promotional when compared with the fourth quarter of 2008 and the first quarter of 2009 we expect less pressure on operating margins as well.

In the sportswear business we do not expect sales volume to grow in the second half of the year because of reduced numbers of stores as a result of the rationalization process, and also because of the sluggish market conditions. However because of the closing-down of underperforming stores we expect profit margins to continue to improve.

From the second half of 2008, together with the macroeconomic environment, the business operations of the Group also experienced a lot of undulations and difficulties. Our view is that undulations and difficulties are necessary for the healthy long-term development of a company and of an industry as a whole. On the one hand they keep businesses honest and prudent. On the other hand they help ensure survival of the fittest and improve the competitive landscape. We believe that after enduring the acid test of the economic downturn we will be in a better position to forge ahead with determination and maintain our leadership in the industry.

Sheng Baijiao
CEO and Executive Director

26 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group continued to benefit from steady growth. During the six months ended 30 June 2009, the Group recorded revenue and operating profit of RMB9,309.9 million and RMB1,265.2 million respectively, achieving growth rate of 13.1% and 11.1% respectively. Operating profit before other income and other gains increased by 14.1% to RMB1,253.2 million when compared with the same period last year. The profit attributable to the Company's equity holders increased by 14.9% to RMB1,135.8 million in first half of 2009.

Revenue

The Group's revenue increased by 13.1% to RMB9,309.9 million in the six months ended 30 June 2009 from RMB8,228.3 million in the six months ended 30 June 2008. This was mainly attributable to the continually steady growth of sales generated from the footwear business as compared with the corresponding period of last year. Sales from footwear business and sportswear business increased by RMB1,063.0 million and RMB18.6 million respectively, from RMB4,253.1 million and RMB3,975.2 million in the six months ended 30 June 2008 to RMB5,316.1 million and RMB3,993.8 million in the six months ended 30 June 2009.

	Six months ended 30 June				
	2009		2008		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**4,803.1**	**51.6%**	3,939.5	47.9%	21.9%
Distribution brands	**400.9**	**4.3%**	214.7	2.6%	86.7%
OEM	**112.1**	**1.2%**	98.9	1.2%	13.3%
	5,316.1	**57.1%**	4,253.1	51.7%	25.0%
Sportswear					
First-tier sportswear brands *	**3,317.7**	**35.6%**	3,238.1	39.3%	2.5%
Second-tier sportswear brands *	**631.6**	**6.8%**	712.0	8.7%	-11.3%
Other sportswear business	**44.5**	**0.5%**	25.1	0.3%	77.3%
	3,993.8	**42.9%**	3,975.2	48.3%	0.5%
Total	**9,309.9**	**100.0%**	8,228.3	100.0%	13.1%

Unit: RMB million

* *The first-tier sportswear brands include Nike and Adidas. The second-tier sportswear brands include Kappa, PUMA, Converse, Reebok and LiNing, etc. The first-tier sportswear brands and second-tier sportswear brands are classified according to our Group's relative sales amounts.*

Profitability

On account of the continuous growth of the Group's businesses, the operating profit increased by 11.1% to RMB1,265.2 million. Operating profit before other income and other gains increased by 14.1% to RMB1,253.2 million when compared with the same period last year. The profit attributable to the Company's equity holders increased by 14.9% to RMB1,135.8 million in first half of 2009.

	Six months ended 30 June					
	2009		2008		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	**RMB million**	RMB million	RMB million	%	%
Revenue	**5,316.1**	**3,993.8**	4,253.1	3,975.2	25.0	0.5
Cost of sales	**(1,886.4)**	**(2,545.6)**	(1,487.2)	(2,559.9)	26.8	(0.6)
Gross profit	**3,429.7**	**1,448.2**	2,765.9	1,415.3	24.0	2.3
Gross profit margin (%)	**64.5**	**36.3**	65.0	35.6		

Cost of sales increased by 9.5% from RMB4,047.1 million in the six months ended 30 June 2008 to RMB4,432.0 million in the six months ended 30 June 2009.

Gross profit increased by 16.7% to RMB4,877.9 million in the six months ended 30 June 2009 from RMB4,181.2 million in the six months ended 30 June 2008. Gross profit in our footwear segment increased by 24.0% to RMB3,429.7 million in the six months ended 30 June 2009 from RMB2,765.9 million in the six months ended 30 June 2008. Gross profit in our sportswear segment increased by 2.3% to RMB1,448.2 million in the six months ended 30 June 2009 from RMB1,415.3 million in the six months ended 30 June 2008.

During the period under review, the gross profit margin of footwear business and sportswear business was 64.5% and 36.3% respectively. Comparing to the same period of last year, the gross profit margin of respective business segments has no material change. Owing to differences in the respective business models, sportswear products generally have lower gross profit margin than our footwear products. Compared to the corresponding period of last year, there has been a change in the proportional sales of the Group between the footwear business and the sportswear business. As a result, the Group's gross profit margin as a whole increased to 52.4% in the six months ended 30 June 2009 from 50.8% in the six months ended 30 June 2008.

Selling and distribution expenses in the six months ended 30 June 2009 amounted to RMB2,924.8 million (2008: RMB2,448.7 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retails outlet decorations and advertising and promotional expenses. General and administrative expenses in the six months ended 30 June 2009 amounted to RMB699.9 million (2008: RMB633.8 million), primarily consisting of management and administrative personnel salaries and depreciation charges on office premises and office equipment. In terms of percentages, selling and distribution and general and administrative expenses to revenue ratio was 31.4% (2008: 29.8%) and 7.5% (2008: 7.7%) respectively.

Profitability (continued)

Finance income increased to RMB53.8 million in the six months ended 30 June 2009 from RMB42.7 million in the six months ended 30 June 2008. The increase is mainly due to the increase in term deposits in the second quarter of 2009, but is partially offset by the drop of bank deposit interest rates.

Interest expense increased to RMB36.5 million in the six months ended 30 June 2009 from RMB10.6 million in the six months ended 30 June 2008, as a result of the increase in bills payable. During the six months ended 30 June 2009, Renminbi appreciated against Hong Kong dollars by 0.04% only and the Group recorded an exchange loss of approximately RMB0.2 million (2008: RMB45.8 million).

Income tax expense in the six months ended 30 June 2009 amounted to RMB149.1 million (2008: RMB139.1 million). The effective income tax rate was 11.6% in the first half of the year, slightly lower than the 12.4% in the same period last year. The main reason is He Zhong Apparel (Shenzhen) Limited ("He Zhong"), a subsidiary of the Group in the footwear business, recorded a relatively fast pace of business growth in the period under review while the company is still exempted from corporate income taxes in 2009. In addition, New Belle Footwear (Shenzhen) Limited ("New Belle"), our major domestic operating unit with comparatively steady growth, is incorporated in Shenzhen (a special economic zone where the standard tax rate is 20% in 2009 (2008: 18%)) and is subject to a corporate income tax rate of 10% in 2009 (2008: 9%) as it was granted a 50% reduction in income tax from 2008 to 2010. On the other hand, the corporate income tax rate for the Senda business is 25% and the average corporate income tax rate for the sportswear business is approximately 25%.

Liquidity and financial resources

The Group maintains a strong and healthy balance sheet. As at 30 June 2009, the working capital of the Group was RMB7,286.6 million, representing an increase of 13.6% or RMB874.6 million as compared with 31 December 2008.

During the period under review, net cash inflow from operating activities was RMB777.2 million (2008: RMB876.8 million, of which RMB360.6 million was attributable to the cash inflow generated from the decrease of financial assets at fair value through profit or loss). Net cash inflow from operating activities, excluding this one-off cash inflow effect of such financial assets generated in 2008, increased by 50.6% or RMB261.0 million when compared with the same period in last year. This reflects the Group's ability to generate solid earnings.

Net cash used in investing activities for the six months ended 30 June 2009 was RMB6,655.1 million (2008: RMB5,547.0 million), mainly attributable to placing term deposits with initial terms over three months of approximately RMB6,598.5 million and purchasing property, plant and equipment of approximately RMB296.3 million, and partially offset by uplifting structured bank deposits of RMB240.0 million.

Liquidity and financial resources (continued)

Net cash generated from financing activities during the period under review was RMB5,402.1 million (2008: RMB743.1 million), mainly attributable to the proceeds from issuance of bills of exchange of RMB6,203.7 million and partially offset by the net repayment of borrowings of RMB503.1 million and payment of the 2008 final dividend RMB295.2 million. In the first half of the year the Group conducted some short-term financing in the form of bills payable. As at 30 June 2009, the bills payable amounted to RMB 6,203.7 million. As the financing cost of bills payable was lower than the interest the Group could earn from term deposits with the banks, the Group has earned an interest spread. The term structures of the bills payable and term deposits basically matched. As at 30 June 2009, the Group's gearing ratio was 27.8% (31 December 2008: 3.0%) (the gearing ratio is calculated using the following formula: Total of Bills Payable and Borrowings / Total Assets). The Group's current ratio was 1.9 times (31 December 2008: 3.0 times) (the current ratio is calculated using the following formula: Current Assets / Current Liabilities).

As at 30 June 2009, the Group held cash and cash equivalents and term deposits with initial terms of over three months totaling RMB8,887.9 million (31 December 2008: cash and cash equivalents, term deposits with initial terms of over three months and structured bank deposits totaling 2,984.6 million), and was in a net cash position of RMB2,684.2 million (31 December 2008: 2,481.2 million) after netting off the bills payable of RMB6,203.7 million (31 December 2008: unsecured short-term bank borrowings of 503.4 million).

Pledge of assets

As at 30 June 2009, 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 (31 December 2008: nil).

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Human resources

As at 30 June 2009, the Group had a total of 70,685 employees (31 December 2008: 70,635 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance.

Interim dividend

The Board has resolved to declare an interim dividend for the year ending 31 December 2009 of RMB3.5 cents per share (2008 interim dividend: RMB3 cents), amounting to RMB295.2 million (2008 interim dividend: RMB253.2 million). The interim dividend will be paid on or about 13 October 2009 to members whose names appear on the register of members of the Company on 30 September 2009.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the official exchange rate of RMB against Hong Kong dollars (HK$1.00=RMB0.88142) as quoted by the People's Bank of China on 26 August 2009, being the date on which the interim dividend is declared by the Board. Accordingly, the amount of the interim dividend is HK3.97 cents per share.

Closure of register of members

The interim dividend will be paid on or about 13 October 2009 to the shareholders whose names appear on the register of members of the Company on 30 September 2009. The register of members of the Company will be closed from Tuesday, 29 September 2009, to Wednesday, 30 September 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at 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 Monday, 28 September 2009.

羅兵咸永道會計師事務所

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BELLE INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 50, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2009 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 August 2009

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Revenue	4	**9,309,910**	8,228,341
Cost of sales		**(4,431,945)**	(4,047,055)
Gross profit		**4,877,965**	4,181,286
Selling and distribution expenses		**(2,924,836)**	(2,448,693)
General and administrative expenses		**(699,947)**	(633,826)
Other income		**11,981**	6,049
Other gains, net		**—**	34,128
Operating profit	5	**1,265,163**	1,138,944
Finance income		**53,761**	42,702
Finance costs		**(36,676)**	(56,442)
Finance income/(costs), net	6	**17,085**	(13,740)
Profit before income tax		**1,282,248**	1,125,204
Income tax expense	7	**(149,069)**	(139,142)
Profit for the period		**1,133,179**	986,062
Attributable to:			
Equity holders of the Company		**1,135,773**	988,061
Minority interests		**(2,594)**	(1,999)
		1,133,179	986,062
Earnings per share for profit attributable to equity holders of the Company	8		
– basic		**RMB13.47 cents**	RMB11.71 cents
– diluted		**RMB13.47 cents**	RMB11.71 cents
Interim dividend	9	**295,198**	253,240

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Profit for the period	**1,133,179**	986,062
Other comprehensive income		
Exchange differences	**(6,497)**	(28,391)
Net fair value loss on available-for-sale financial assets	**—**	(533)
Other comprehensive income for the period, net of tax	**(6,497)**	(28,924)
Total comprehensive income for the period	**1,126,682**	957,138
Attributable to:		
Equity holders of the Company	**1,129,276**	959,137
Minority interests	**(2,594)**	(1,999)
	1,126,682	957,138

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2009

	Note	**Unaudited 30 June 2009** **RMB'000**	Audited 31 December 2008 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,257,883**	2,225,763
Leasehold land and land use rights	10	**1,304,922**	1,437,124
Investment properties	10	**12,749**	22,458
Intangible assets	10	**3,315,136**	3,360,271
Long-term deposits, prepayments and other non-current assets		**339,864**	240,977
Deferred income tax assets		**82,046**	78,707
		7,312,600	7,365,300
Current assets			
Non-current assets held for sale	11	**149,620**	—
Inventories		**3,707,792**	4,228,964
Trade receivables	12	**1,534,843**	1,864,861
Other receivables, deposits and prepayments		**686,982**	578,829
Structured bank deposits		**—**	249,333
Term deposits with initial terms of over three months	13	**7,037,006**	408,676
Cash and cash equivalents	14	**1,850,846**	2,326,596
		14,967,089	9,657,259
Total assets		**22,279,689**	17,022,559

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

As at 30 June 2009

	Note	Unaudited 30 June 2009 *RMB'000*	Audited 31 December 2008 *RMB'000*
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**83,056**	83,056
Share premium	15	**9,214,078**	9,214,078
Reserves		**4,911,172**	4,077,094
		14,208,306	13,374,228
Minority interests		**54,529**	57,123
Total equity		**14,262,835**	13,431,351
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**289,804**	296,313
Other non-current liabilities		**46,576**	49,676
		336,380	345,989
Current liabilities			
Trade payables	16	**625,754**	1,459,169
Other payables, accruals and other current liabilities		**664,354**	980,246
Bills payable	17	**6,203,669**	—
Short-term bank borrowings, unsecured		**—**	503,448
Current income tax liabilities		**186,697**	302,356
		7,680,474	3,245,219
Total liabilities		**8,016,854**	3,591,208
Total equity and liabilities		**22,279,689**	17,022,559
Net current assets		**7,286,615**	6,412,040
Total assets less current liabilities		**14,599,215**	13,777,340

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

	Unaudited										
	Capital and reserves attributable to equity holders of the Company										
	Share Capital RMB'000 (Note 15)	Share premium RMB'000 (Note 15)	Merger reserve RMB'000	Statutory reserves RMB'000	Capital redemption reserve RMB'000	Exchange reserve RMB'000	Available-for-sale financial assets revaluation reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Minority interests RMB'000	Total RMB'000
For the six months ended 30 June 2009											
As at 1 January 2009	83,056	9,214,078	3,531	37,306	70	(25,868)	—	4,062,055	13,374,228	57,123	13,431,351
Profit/(loss) for the period	—	—	—	—	—	—	—	1,135,773	1,135,773	(2,594)	1,133,179
Other comprehensive income:											
Exchange differences	—	—	—	—	—	(6,497)	—	—	(6,497)	—	(6,497)
Total comprehensive income for the period	—	—	—	—	—	(6,497)	—	1,135,773	1,129,276	(2,594)	1,126,682
Dividends	—	—	—	—	—	—	—	(295,198)	(295,198)	—	(295,198)
As at 30 June 2009	83,056	9,214,078	3,531	37,306	70	(32,365)	—	4,902,630	14,208,306	54,529	14,262,835

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2009

	Unaudited										
	Capital and reserves attributable to equity holders of the Company										
	Share Capital *RMB'000* *(Note 15)*	Share premium *RMB'000* *(Note 15)*	Merger reserve *RMB'000*	Statutory reserves *RMB'000*	Capital redemption reserve *RMB'000*	Exchange reserve *RMB'000*	Available-for-sale financial assets revaluation reserve *RMB'000*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Minority interests *RMB'000*	Total *RMB'000*
For the six months ended 30 June 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
Profit/(loss) for the period	—	—	—	—	—	—	—	988,061	988,061	(1,999)	986,062
Other comprehensive income:											
Exchange differences	—	—	—	—	—	(28,391)	—	—	(28,391)	—	(28,391)
Net fair value loss on available-for-sale financial assets	—	—	—	—	—	—	(533)	—	(533)	—	(533)
Total comprehensive income for the period	—	—	—	—	—	(28,391)	(533)	988,061	959,137	(1,999)	957,138
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	1,590	1,590
Dividends	—	—	—	—	—	—	—	(295,447)	(295,447)	—	(295,447)
	—	—	—	—	—	—	—	(295,447)	(295,447)	1,590	(293,857)
As at 30 June 2008	83,126	9,249,510	3,531	37,306	—	(28,811)	(533)	3,292,991	12,637,120	62,522	12,699,642

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

		Unaudited	
		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Net cash generated from operating activities		**777,233**	876,762
Cash flows from investing activities			
Purchase of property, plant and equipment		**(296,255)**	(562,713)
Payments for intangible assets and leasehold land and land use rights		**(1,501)**	(130,724)
Proceeds from sale of property, plant and equipment		**1,156**	4,708
Acquisition of subsidiaries and businesses, net of cash acquired	18(c)	**—**	(2,605,577)
Purchase of available-for-sale financial assets		**—**	(1,000,000)
New structured bank deposits		**—**	(852,644)
Uplift of structured bank deposits		**240,000**	—
New term deposits with initial terms of over three months		**(6,598,456)**	(400,000)
Net cash used in investing activities		**(6,655,056)**	(5,546,950)
Cash flows from financing activities			
Dividends paid		**(295,198)**	(295,447)
Interest paid		**(36,462)**	(10,643)
Interest received		**33,221**	30,438
Proceeds from borrowings		**176,316**	1,723,738
Repayments of borrowings		**(679,400)**	(704,990)
Issuance of bills of exchange		**6,203,669**	—
Net cash generated from financing activities		**5,402,146**	743,096
Net decrease in cash and cash equivalents		**(475,677)**	(3,927,092)
Cash and cash equivalents at beginning of the period		**2,326,596**	5,213,167
Effect on foreign exchange		**(73)**	(54,464)
Cash and cash equivalents at end of the period		**1,850,846**	1,231,611

The notes on pages 33 to 50 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Belle International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing, distribution and 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"). This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information for the six months ended 30 June 2009 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 26 August 2009.

2 Basis of preparation

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2009 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2008, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 Accounting policies

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2008, except as mentioned below.

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

The following new standards and amendments to standards are mandatory for the financial year ending 31 December 2009.

IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial information has been prepared under the revised disclosure requirements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3 Accounting policies (continued)

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

IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of IFRS 8 has not resulted in a change in the number of reportable segments presented by the Group. The reportable segments remained the 'shoes and footwear products' and 'sportswear products' segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors who collectively make strategic decisions.

Amendments to IFRS 7, 'Financial instruments: disclosures'. The amendments increase the disclosure requirements about fair value measurement and amend the disclosure about liquidity risk. The amendments introduce a three-level hierarchy for fair value measurement disclosures about financial instruments and require some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. They also require a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its financial statements for the year ending 31 December 2009.

The following amendments to standards and interpretations are also mandatory for the financial year beginning 1 January 2009:

IFRSs (amendments)	Improvements to IFRSs 2008 #
IFRS 1 and IAS 27 (amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
IFRS 2 (amendment)	Share-based payment – vesting conditions and cancellations
IAS 23 (revised)	Borrowing costs
IAS 32 and IAS 1 (amendments)	Puttable financial instruments and obligations arising on liquidation
IFRIC Int 9 and IAS 39 (amendments)	Reassessment of embedded derivatives
IFRIC Int 13	Customer loyalty programmes
IFRIC Int 15	Agreements for the construction of real estate
IFRIC Int 16	Hedges of a net investment in a foreign operation

Effective for the Group for annual period beginning on 1 January 2009 except the amendments to IFRS 5, "Non-current assets held for sale and discontinued operations" which is effective for annual period beginning on 1 January 2010.

The adoption of these amendments to standards and interpretations did not result in a significant impact on the results and financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

3 Accounting policies (continued)

(b) Amendments to standards and interpretations that have been issued but are not effective

The following amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

IFRSs (amendments)	Improvements to IFRSs 2009 [1]
IFRS 1 (revised)	First-time adoption of IFRSs [1]
IFRS 3 (revised)	Business combinations [1]
IAS 27 (revised)	Consolidated and separate financial statements [1]
IAS 39 (amendment)	Eligible hedged items [1]
IFRIC Int 17	Distributions of non-cash assets to owners [1]
IFRIC Int 18	Transfers of assets from customers [2]

(1) effective for the Group for annual period beginning on 1 January 2010

(2) effective for transfer of assets 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 amendments and interpretations to standards will not result in a significant impact on the results and financial position of the Group.

4 Segment information

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

The chief operating decision-maker ("CODM") has been identified as the executive directors. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

CODM assesses the performance of the business from a product perspective, i.e. by shoes and footwear products and sportswear products.

CODM assesses the performance of the operating segments based on a measure of the results of reportable segments. Finance income and costs, corporate income and expenses, and amortisation of intangible assets are not included in the results for each operating segment that is reviewed by the CODM. Other information provided to the CODM is measured in a manner consistent with that in the financial statements.

Assets of reportable segments exclude deferred tax assets, investment properties and corporate assets, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Segment information (continued)

	Six months ended 30 June 2009					
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Reportable segments total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue						
Sales of goods	5,317,437	3,973,001	(1,372)	9,289,066	—	9,289,066
Commissions from concessionaire sales	—	20,844	—	20,844	—	20,844
	5,317,437	3,993,845	(1,372)	9,309,910	—	9,309,910
Results of reportable segments	1,096,940	219,322	—	1,316,262	—	1,316,262
A reconciliation of results of reportable segments to profit for the period is as follows:						
Results of reportable segments						1,316,262
Amortization of intangible assets						(46,634)
Unallocated income						2,053
Unallocated expenses						(6,518)
Operating profit						1,265,163
Finance income						53,761
Finance costs						(36,676)
Profit before income tax						1,282,248
Income tax expense						(149,069)
Profit for the period						1,133,179
Depreciation on property, plant and equipment	134,807	94,401	—	229,208	1,746	230,954
Amortization of leasehold land and land use rights	9,528	2,793	—	12,321	5,415	17,736
Amortization of intangible assets	20,761	25,873	—	46,634	—	46,634
Depreciation on investment properties	—	—	—	—	477	477
Impairment losses on inventories	3,096	—	—	3,096	—	3,096

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Segment information (continued)

	As at 30 June 2009					
	Shoes and footwear products	Sportswear products	Inter-segment elimination	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	6,559,853	6,271,157	(1,762,223)	11,068,787	—	11,068,787
Goodwill	1,651,893	505,927	—	2,157,820	—	2,157,820
Other intangible assets	645,252	512,064	—	1,157,316	—	1,157,316
	8,856,998	7,289,148	(1,762,223)	14,383,923	—	14,383,923
Investment properties					12,749	12,749
Terms deposits with initial terms of over three months					7,037,006	7,037,006
Deferred income tax assets					82,046	82,046
Other unallocated assets					763,965	763,965
Total assets per consolidated balance sheet						22,279,689
Segment liabilities	2,514,227	562,790	(1,762,223)	1,314,794	—	1,314,794
Bills payable					6,203,669	6,203,669
Current income tax liabilities					186,697	186,697
Deferred income tax liabilities					289,804	289,804
Other unallocated liabilities					21,890	21,890
Total liabilities per consolidated balance sheet						8,016,854

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Segment information (continued)

	Six months ended 30 June 2008					
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Inter-segment elimination *RMB'000*	Reportable segments total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue						
Sales of goods	4,253,168	3,962,557	—	8,215,725	—	8,215,725
Commissions from concessionaire sales	—	12,616	—	12,616	—	12,616
	4,253,168	3,975,173	—	8,228,341	—	8,228,341
Results of reportable segments	949,793	203,370	—	1,153,163	—	1,153,163
A reconciliation of results of reportable segments to profit for the period is as follows:						
Results of reportable segments						1,153,163
Amortization of intangible assets						(41,106)
Unallocated income						40,177
Unallocated expenses						(13,290)
Operating profit						1,138,944
Finance income						42,702
Finance costs						(56,442)
Profit before income tax						1,125,204
Income tax expense						(139,142)
Profit for the period						986,062
Depreciation on property, plant and equipment	128,987	156,358	—	285,345	1,109	286,454
Amortization of leasehold land and land use rights	8,654	3,324	—	11,978	1,885	13,863
Amortization of intangible assets	15,663	25,443	—	41,106	—	41,106
Depreciation on investment properties	—	—	—	—	495	495
Impairment losses on inventories	196	—	—	196	—	196

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Segment information (continued)

	As at 31 December 2008					
	Shoes and footwear products	Sportswear products	Inter-segment elimination	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	7,933,394	6,945,568	(2,504,450)	12,374,512	—	12,374,512
Goodwill	1,651,893	505,927	—	2,157,820	—	2,157,820
Other intangible assets	664,865	537,586	—	1,202,451	—	1,202,451
	10,250,152	7,989,081	(2,504,450)	15,734,783	—	15,734,783
Investment properties					22,458	22,458
Term deposits with initial terms of over three months					408,676	408,676
Deferred income tax assets					78,707	78,707
Other unallocated assets					777,935	777,935
Total assets per consolidated balance sheet						17,022,559
Segment liabilities	3,865,987	1,131,674	(2,504,450)	2,493,211	—	2,493,211
Corporate borrowings					482,393	482,393
Current income tax liabilities					302,356	302,356
Deferred income tax liabilities					296,313	296,313
Other unallocated liabilities					16,935	16,935
Total liabilities per consolidated balance sheet						3,591,208

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

4 Segment information (continued)

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Revenue		
The PRC	**8,669,490**	7,871,475
Hong Kong	**450,306**	233,635
Other locations	**190,114**	123,231
	9,309,910	8,228,341

An analysis of the Group's non-current assets (other than deferred tax assets and financial instruments) by location of assets is as follows:

	As at 30 June 2009				As at 31 December 2008			
	The PRC	**Hong Kong**	**Other locations**	**Total**	The PRC	Hong Kong	Other locations	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets								
Property, plant and equipment	**2,112,801**	**136,050**	**9,032**	**2,257,883**	2,084,908	135,015	5,840	2,225,763
Leasehold land and land use rights	**1,037,041**	**267,881**	**—**	**1,304,922**	1,049,918	387,206	—	1,437,124
Investment properties	**12,749**	**—**	**—**	**12,749**	13,104	9,354	—	22,458
Intangible assets	**3,238,773**	**75,810**	**553**	**3,315,136**	3,282,773	76,493	1,005	3,360,271
Long-term deposits, prepayments and other non-current assets	**291,758**	**41,815**	**6,291**	**339,864**	184,031	52,210	4,736	240,977
	6,693,122	**521,556**	**15,876**	**7,230,554**	6,614,734	660,278	11,581	7,286,593

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

5 Operating profit

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Costs of inventories recognized as expenses included in cost of sales	**4,428,207**	4,046,513
Depreciation on property, plant and equipment	**230,954**	286,454
Depreciation on investment properties	**477**	495
Amortization of intangible assets	**46,634**	41,106
Amortization of leasehold land and land use rights	**17,736**	13,863
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**1,996,458**	1,569,043
Staff costs (including directors' emoluments)	**1,125,989**	925,673
Fair value loss on financial assets at fair value through profit or loss	**—**	3,941
Fair value gain on derivative financial instruments	**—**	(38,069)
Loss on disposal of property, plant and equipment	**5,894**	7,236
Impairment losses on inventories	**3,096**	196

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

6 Finance income/(costs), net

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest income on bank deposits	**48,694**	32,992
Interest income from structured bank deposits	**5,067**	9,710
	53,761	42,702
Interest expense on bank borrowings and bills payable		
– wholly repayable within 5 years	**(36,462)**	(10,643)
Net foreign exchange losses	**(214)**	(45,799)
	(36,676)	(56,442)
Finance income/(costs), net	**17,085**	(13,740)

7 Income tax expense

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current income taxes		
– PRC corporate income tax	**157,857**	146,156
– Hong Kong profits tax	**1,237**	561
– Macau income tax	**1,204**	772
Under/(over)-provision in prior years		
– PRC corporate income tax	**372**	—
– Hong Kong profits tax	**(1,735)**	—
Deferred income tax	**(9,866)**	(8,347)
	149,069	139,142

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 for income taxes followed by 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 10% to 20% during the period. The tax rates for these companies will be gradually increased to 25% towards year 2013. Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

8 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 period.

	Six months ended 30 June	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**1,135,773**	988,061
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousand of shares)	**8,434,233**	8,441,333
Basic earnings per share (RMB cents per share)	**13.47**	11.71

Diluted

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

9 Dividends

(a) At a meeting held on 26 August 2009, the directors declared an interim dividend of RMB3.5 cents per share, totaling RMB295,198,000 for the year ending 31 December 2009. This dividend is not reflected as a dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

(b) At a meeting held on 24 March 2009, the directors recommended a final dividend for the year ended 31 December 2008 of RMB3.5 cents per share, totaling RMB295,198,000, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2009.

(c) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

10 Capital expenditure

				Intangible assets			
	Property, plant and equipment	Leasehold land and land use rights	Investment properties	Goodwill	Other intangible assets *(note)*	Total intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value as at 1 January 2009	**2,225,763**	**1,437,124**	**22,458**	**2,157,820**	**1,202,451**	**3,360,271**	**7,045,616**
Additions	**296,255**	**—**	**—**	**—**	**1,501**	**1,501**	**297,756**
Depreciation/amortisation	**(230,954)**	**(17,736)**	**(477)**	**—**	**(46,634)**	**(46,634)**	**(295,801)**
Transferred to non-current assets held for sale	**(26,071)**	**(114,320)**	**(9,229)**	**—**	**—**	**—**	**(149,620)**
Disposals	**(7,050)**	**—**	**—**	**—**	**—**	**—**	**(7,050)**
Exchange differences	**(60)**	**(146)**	**(3)**	**—**	**(2)**	**(2)**	**(211)**
Net book value as at 30 June 2009	**2,257,883**	**1,304,922**	**12,749**	**2,157,820**	**1,157,316**	**3,315,136**	**6,890,690**
Net book value as at 1 January 2008	1,113,312	549,703	24,382	505,927	608,175	1,114,102	2,801,499
Acquisitions	566,432	566,771	—	1,613,053	759,307	2,372,360	3,505,563
Additions	562,713	137,849	—	—	—	—	700,562
Depreciation/amortisation	(286,454)	(13,863)	(495)	—	(41,106)	(41,106)	(341,918)
Disposals	(11,944)	—	—	—	—	—	(11,944)
Exchange differences	(4,296)	(8,141)	(601)	—	(234)	(234)	(13,272)
Net book value as at 30 June 2008	1,939,763	1,232,319	23,286	2,118,980	1,326,142	3,445,122	6,640,490

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

11 Non-current assets held for sale

Non-current assets held for sale represent certain office premises in Hong Kong no longer utilised by the Group, which are stated at the lower of their carrying amounts and fair value less costs to sell (also see *Note 21(b)*).

12 Trade receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 30 June 2009, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
0-30 days	**1,420,489**	1,643,039
31-60 days	**60,717**	73,989
61-90 days	**19,461**	38,508
Over 90 days	**34,176**	109,325
	1,534,843	1,864,861

The carrying amounts of trade receivables approximate their fair values.

13 Term deposits with initial terms of over three months

Term deposits with initial terms of over three months are generally with maturity period of six months and are denominated in RMB. The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 30 June 2009 was 1.99% (31 December 2008: 4.03%).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

14 Cash and cash equivalents

	As at	
	30 June 2009 *RMB'000*	31 December 2008 *RMB'000*
Cash and bank balances	**1,473,550**	2,270,732
Term deposits with initial terms of less than three months	**377,296**	55,864
	1,850,846	2,326,596
Denominated in		
– RMB	**1,519,368**	2,145,772
– HK$	**212,434**	145,463
– US$	**101,286**	624
– Other currencies	**17,758**	34,737
	1,850,846	2,326,596

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 30 June 2009 was 1.25% (31 December 2008: 2.88%).

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

15 Share capital and share premium

Share capital

	Ordinary shares of HK$0.01 each *Number of shares*	Nominal amount *RMB'000*
For the six months ended 30 June 2009		
Authorised:		
As at 1 January 2009 and 30 June 2009	**30,000,000,000**	**296,038**
Issued and fully paid:		
As at 1 January 2009 and 30 June 2009	**8,434,233,000**	**83,056**
For the six months ended 30 June 2008		
Authorised:		
As at 1 January 2008 and 30 June 2008	30,000,000,000	296,038
Issued and fully paid:		
As at 1 January 2008 and 30 June 2008	8,441,333,000	83,126

Share premium

Under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Share option scheme

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 30 June 2009.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

16 Trade payables

The normal credit period for trade payables generally ranges from 0 to 30 days. As at 30 June 2009, the aging analysis of trade payables is as follows:

	As at	
	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
0 - 30 days	**577,423**	1,006,904
31 - 60 days	**30,642**	425,114
over 60 days	**17,689**	27,151
	625,754	1,459,169

The carrying amounts of trade payables approximate their fair values.

17 Bills payable

Bills payable are bills of exchange with average maturity period of six months, the carrying amounts of which approximate their fair values. The weighted average effective interest rate of the Group's bills payable as at 30 June 2009 was 1.52%.

18 Business combinations

(a) During the six months period ended 30 June 2008, the Group acquired the following subsidiaries and businesses:

(i) *Acquisition of Millie's business*

Effective from 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 consideration for the acquisition was HK$600,000,000 (equivalent to RMB559,224,000).

(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 Jiangsu Senda Group Co., Ltd. ("Senda"), pursuant to which New Belle has agreed to acquire interests in certain assets, businesses 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 RMB2,108,602,000. The control of the Senda Business had been gradually transferred to the Group during the six months ended 30 June 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

18 Business combinations (continued)

(iii) *Acquisition of Mirabell business*

Effective from 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 consideration for the acquisition was HK$1,615,656,000 (equivalent to RMB1,475,950,000).

The initial accounting for the above acquisitions was determined on a provisional basis for the period ended 30 June 2008 as the allocation of fair value to the identifiable assets and liabilities of the acquisitions were still progressing. The fair value exercise was completed during the year ended 31 December 2008 and the revised fair values of assets and liabilities acquired had been reflected in the consolidated balance sheet of the Group as at 31 December 2008, which are not materially different from the provisional amounts. Consequently, the comparative figures for the period ended 30 June 2008 have not been restated as the differences are not material.

(b) There were no acquisitions during the six months ended 30 June 2009.

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

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Total purchase considerations	—	4,149,754
Prepayments made in 2007	—	(904,552)
Considerations payable as at 30 June	—	(280,799)
Total purchase considerations paid during the period	—	2,964,403
Cash and cash equivalents acquired	—	(358,826)
Net cash outflow during the period	—	2,605,577

19 Capital commitments

	As at	
	30 June 2009	31 December 2008
	RMB'000	*RMB'000*
Acquisition of property, plant and equipment and land use rights		
– Contracted but not provided for	**92,240**	—
Construction commitments		
– Contracted but not provided for	**17,671**	22,971
	109,911	22,971

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

20 Related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties in addition to the related party information shown elsewhere in the condensed consolidated interim financial information.

Profit and loss items:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Key management compensation		
– Salaries, bonuses and other welfares (*note a*)	**9,529**	8,931
Sales of goods		
– Mirabell Footwear Limited (*note b*)	**—**	568
Royalty expenses		
– 宏裕貿易（深圳）有限公司 (Hong Yu Trading (Shenzhen) Company Limited) (*note b*)	**—**	2,870

Notes:

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

(b) Mirabell Footwear Limited and Hong Yu Trading (Shenzhen) Company Limited are subsidiaries of Mirabell International, which was a former beneficial shareholder of the Group and became a subsidiary of the Group since 1 June 2008.

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

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

21 Subsequent events

(a) Pursuant to the share purchase agreements entered into between the Group and Motive Force Sports Products Limited ("Motive Force"), a wholly-owned subsidiary of ANTA Sports Products Limited, on 12 August 2009, the Group agreed to dispose of its interests in the Fila businesses in Hong Kong, Macau and the PRC to Motive Force at an aggregate consideration of approximately RMB332,351,000, subject to certain conditions and pricing adjustments. The transaction is not yet completed as of the date of this report. The Directors anticipate that the completion of the transaction will not result in a significant gain or loss to the Group.

(b) In July 2009, the Group has entered into a sale and purchase agreement with an independent third party for the sale of an office property in Hong Kong, which has been classified as non-current assets held for sale, at a consideration of HK$81,600,000 (approximately RMB71,933,000). The transaction is expected to be completed by 1 December 2009 with a gain.

GENERAL INFORMATION

Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (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 the ordinary share of HK0.01 each in the issued share capital of the Company (the "Share").

(2) These Shares were 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. Tang"), daughter of Mr. Tang, were together beneficially interested in the entire issued share capital of Merry Century Investments Limited ("Merry Century"), which was interested in 51.1% of the issued share capital of Profit Leader. Golden Coral Holdings Limited ("Golden Coral") was interested in 38.9% of the issued share capital of Profit Leader.

(3) These Shares were held by Profit Discovery Limited ("Profit Discovery"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang was interested in the entire issued share capital of Profit Discovery.

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

(5) These Shares were held by Handy Limited ("Handy"), a limited liability company incorporated in the British Virgin Islands. Mr. Sheng Baijiao ("Mr. Sheng") was 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.

Directors' interests and short positions in shares, underlying shares and debentures (continued)

(ii) Interests in underlying shares of the Company

No Directors of the Company have been granted options under the Company's Share Option Scheme, details of which are set out in the section "Share option scheme" of Note 15 to the Condensed Consolidated Interim Financial Information.

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.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 30 June 2009, 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. Tang	Interest in controlled corporation *(Note 2)*	2,865,625,000 (L)	33.98%

Notes:

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

(2) These Shares were held by Profit Leader. Mr. Tang and Ms. Tang were together beneficially interested in the entire issued share capital of Merry Century, which was interested in 51.1% of the issued share capital of Profit Leader. Golden Coral was interested in 38.9% of the issued share capital of Profit Leader.

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 30 June 2009.

Purchase, sale and redemption of securities

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate governance

The Company had compiled with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2009.

Model code for securities transactions by directors

The Company has adopted the Model Code 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 set out in the Model Code throughout the period under review.

Audit committee

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 the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the board of directors of the Company.

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial information for the six months ended 30 June 2009.

Remuneration committee

The primary duties of the remuneration committee include (but without limitation) making recommendations to our Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for development policies on such remuneration; determining the terms of the specific remuneration package of the directors and senior management; reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the directors from time to time; and considering and approving the grant of share options to eligible participants pursuant to the share option scheme upon authorization by the Board.

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

Sufficiency of public float

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