Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2009

(Stock Code: 1880)

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CORPORATE INFORMATION

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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
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Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Website

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Legal Advisor

Norton Rose Hong Kong
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Auditor

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Principal Share Registrar

Butterfield Fund Services (Cayman) Limited
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Cayman Islands

Hong Kong Branch Share Registrar

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Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2009	2008
Revenue	RMB'000	**19,761,634**	17,855,785
Operating profit	RMB'000	**2,824,165**	2,279,303
Operating profit before other income and other losses/gains	RMB'000	**2,818,878**	2,192,341
Income tax expense	RMB'000	**329,928**	257,558
Profit attributable to the Company's equity holders	RMB'000	**2,533,499**	2,010,435
Gross profit margin	%	**53.3**	51.7
Operating profit margin	%	**14.3**	12.8
Operating profit margin before other income and other losses/gains	%	**14.3**	12.3
Net profit margin	%	**12.8**	11.2
Earnings per share – basic	RMB cents	**30.04**	23.82
– diluted	RMB cents	**30.04**	23.82
Dividend per share – interim	RMB cents	**3.50**	3.00
– final	RMB cents	**4.00**	3.50

		As at 31 December	
		2009	2008
Gearing ratio	%	**6.0**	3.0
Current ratio	times	**4.1**	3.0
Average trade receivables turnover period	days	**33.5**	33.4
Average trade payables turnover period	days	**43.1**	44.1
Average inventory turnover period	days	**161.2**	138.1

STATEMENT FROM CHAIRMAN

Dear Shareholders,

2009 has been a year of ups and downs in the world economy. The Chinese economy was one of the first to break the downward trend of global economic slowdown and achieved an overall recovery of the economy with the help of a set of government stimulus packages. The target of maintaining a GDP growth per year of over 8% was successfully achieved. Confidence has been restored and improving among the citizens. The once hardest-hit Hong Kong economy also shown notable signs of recovery in the second half of the year.

Faced the challenge of various uncertainties in the business environment, the management team of the Group reacted on a timely and proactive manner to adjust our business strategy to be more cautious in growing and more focused on managerial effectiveness and operational efficiency. With the hard work of all our employees, the footwear business of the Group maintained healthy growth, both in sales volume and also in profitability; the proactive adjustment to the sportswear business was also completed as planned, resulting in an improved business mix and higher profitability.

For the year ended 31 December 2009, the Group recorded a growth of 10.7% in sales and 26.0% in profit attributable to equity holders as compared with last year. There were 681 net additions to company-managed footwear retail outlets and 267 net reductions to company-managed sportswear retail outlets during the year. As at 31 December 2009, the total number of retail outlets managed by the Group reached 9,798, of which 9,612 outlets were located in Mainland China and 186 were located in Hong Kong and Macau.

Coming into 2010 the Chinese economy is expected to tackle the more difficult issues of policy exit and structural changes on the back of a gradual recovery. While there are plenty of opportunities, we also face significant challenges going forward. Notwithstanding changes in the external environment, we are determined to uphold our prudent and practical approach, and continue to nurture human resources and accumulate managerial experience. With greater flexibility and effective execution, we are confident to continue to be a leader in this highly competitive market.

Tang Yiu
Chairman

24 March 2010

Dear Shareholders,

The Group's overall revenue increased by 10.7% to RMB19,761.6 million in 2009 when compared with last year. Revenue of the footwear business increased to RMB11,733.2 million in 2009, up by 21.4% compared with last year. The sportswear business recorded revenue of RMB8,028.4 million, slightly down 2.0% from last year. The footwear business contributed 59.4% of the revenue of the Group, higher from the 54.1% level in 2008.

The margin of segment result of the footwear business recovered from last year's level. Within the footwear business, the core existing brands maintained steady revenue growth while continuously improving profit margins. The operating efficiency of newly acquired businesses, especially Senda, was showing notable signs of improvement. Our business outside Mainland China, mainly in Hong Kong, was also experiencing significant improvements and turned around to make a profit in the fourth quarter of 2009.

For the sportswear business, the Group continued to implement the consolidation and adjustment strategy as articulated last year and achieved positive results, with the business mix optimized and profit margin improved.

2009 is a year in which crisis turned into opportunities in the world economy as well as for the Chinese economy. However, the path was not smooth and volatilities abound. With the combined efforts of all our employees, and by continuously improving our ability to think and execute, the Group sailed through the crisis and achieved satisfactory results.

I am pleased to report the results for the full year of 2009 as follows:

Results for the Full Year of 2009

Revenue increased by 10.7% to RMB19,761.6 million in 2009. The footwear business maintained steady growth in sales at a relatively fast pace, most of which is driven by 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 twelve months being consolidated this year while only seven months of sales were included last year. The sportswear business recorded slightly lower revenues, mainly due to the adjustment strategies initiated by the Group from the second half of 2008.

Operating profit was RMB2,824.2 million in 2009, an increase of 23.9% from last year. The increase is mainly due to a larger revenue base and improved margins in the footwear segment. Improved profitability of the sportswear business also contributed to part of the growth. Net profit attributable to shareholders amounted to RMB2,533.5 million, an increase of 26.0% compared with last year.

Earnings per share amounted to RMB30.04 cents and the board of directors (the "Board") has recommended to declare a final dividend of RMB4.0 cents per share. Together with the interim dividend of RMB3.5 cents per share (paid on 13 October 2009), the total dividend for the year ended 31 December 2009 will amount to RMB7.5 cents per share (2008: RMB6.5 cents).

Summary of the Overall Business Development Strategy of the Group

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

Footwear business

Company-owned brands of footwear business include Belle, Teenmix, Tata, Staccato, Senda, Basto, JipiJapa, Millie's, Joy & Peace and Mirabell, etc. Distribution brands include Bata, Geox, Clarks, Mephisto, BCBG, Merrell, Sebago and Caterpillar, etc.

For company-owned brands, the Group mainly adopts a vertically integrated business model which covers product research and development, procurement, manufacturing, distribution and retailing. For distribution brands, the Group operates the business 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 percentage of total revenue and comparative growth rates for the years indicated.

	Year ended 31 December				
	2009		2008		
	Turnover	**% of total**	Turnover	% of total	% of Growth
Company-owned brands	**10,736.9**	**91.5%**	8,826.4	91.4%	21.6%
Distribution brands	**781.9**	**6.7%**	697.4	7.2%	12.1%
Sub-total	**11,518.8**	**98.2%**	9,523.8	98.6%	20.9%
OEM	**214.4**	**1.8%**	139.9	1.4%	53.3%
Total	**11,733.2**	**100.0%**	9,663.7	100.0%	21.4%

Unit: RMB million

Sportswear business

The majority of our sportswear business is in the form of distribution business, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands including 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 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, as a result their store productivity 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 years indicated.

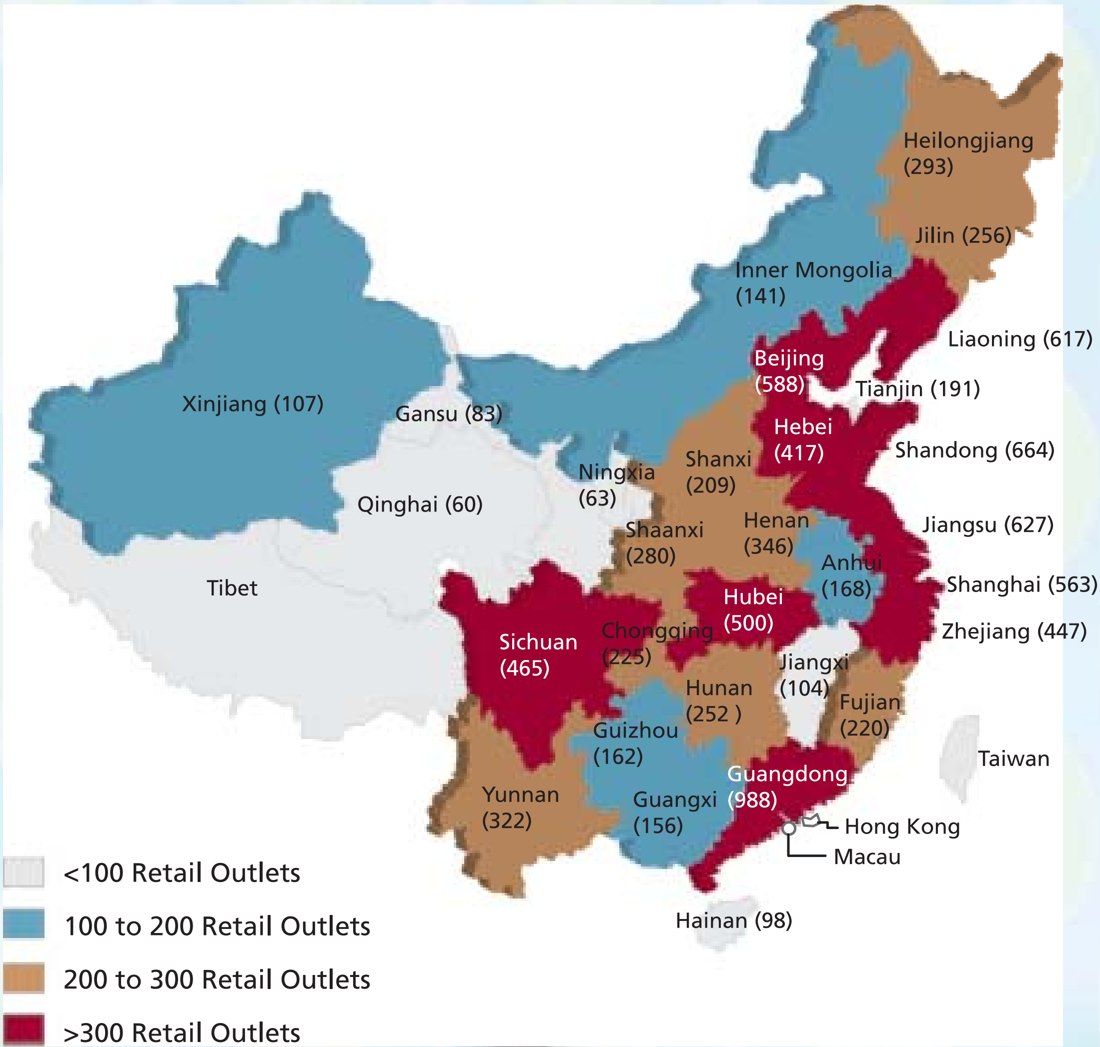
	Year ended 31 December				
	2009		2008		
	Turnover	**% of total**	Turnover	% of total	% of Growth
First-tier sportswear brands*	**6,695.7**	**83.4%**	6,713.0	82.0%	(0.3%)
Second-tier sportswear brands*	**1,238.5**	**15.4%**	1,409.9	17.2%	(12.2%)
Other sportswear business	**94.2**	**1.2%**	69.2	0.8%	36.1%
Total	**8,028.4**	**100.0%**	8,192.1	100.0%	(2.0%)

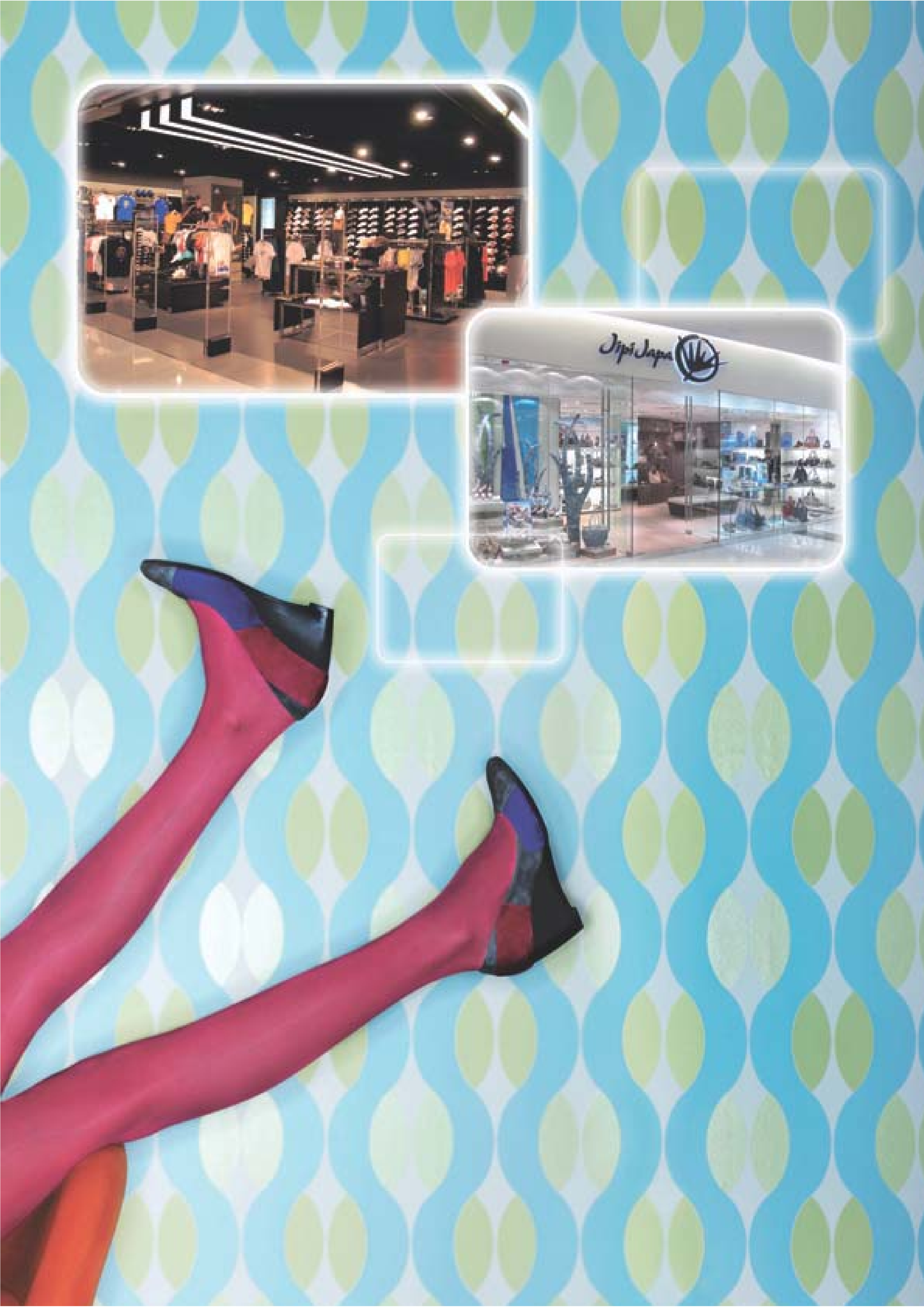
Unit: RMB million

* *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 31 December 2009.




Jipi Japa

The following table sets out the distribution of our company-managed retail outlets by region and by business segment in Mainland China as at 31 December 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	1,134	204	1,338	409	58	—	467	1,805
Northern China	1,051	104	1,155	297	75	19	391	1,546
Southern China	905	60	965	236	63	—	299	1,264
North-eastern China	664	60	724	305	137	—	442	1,166
Shandong and Henan	504	26	530	327	153	—	480	1,010
Central China	484	44	528	150	74	—	224	752
South-western China	451	23	474	203	13	—	216	690
North-western China	408	41	449	106	38	—	144	593
Yunnan and Guizhou	266	19	285	116	83	—	199	484
Guangzhou	284	18	302	—	—	—	—	302
Total	6,151	599	6,750	2,149	694	19	2,862	9,612

Note: In addition, the Group operates 186 company-managed outlets in Hong Kong and Macau.

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, including China, experienced a dramatic bottoming-out in 2009. Various economic indicators such as GDP growth continued to improve from the lows at the beginning of the year. Market confidence was effectively restored. However the recovery of the Chinese economy was mainly due to expansionary fiscal and monetary policies. Growth was mainly driven by investment and unfortunately not private consumption. The consumer retail market in which the Group operates in did not directly benefit from government stimulus packages. However, the Group successfully sailed through the crisis in late 2008 and early 2009 without major setbacks in our business operations. In the second half of 2009 as market sentiment improved the Group was also quick in seizing opportunities. Both sales performance and profitability improved in the second half. This, on the one hand, was evidence of the outstanding responsiveness and effective execution of the Group; and on the other hand, demonstrated that while external environment and government policies are important, the survival and long-term growth of a business still depend mostly on its own competence and capabilities.

As for the policy stance of the Chinese government, the importance of revitalizing domestic demand to the structural rebalancing and sustainable growth of the economy has been fully understood and accepted. It is a matter of time for the government to roll out plans and packages aimed at raising disposable income for residents and increasing consumer confidence. We believe that with the continued steady growth of the Chinese economy and its gradual structural rebalancing, there is considerable growth potential in the consumer retail market.

Review of the footwear business

Even during the most difficult market conditions the footwear business maintained relatively steady growth, both on the top-line level and on the same-store-sales level. During the year there were 681 net additions to company-managed footwear retail outlets, an increase of 10.9% in store count from the end of the last year. Same store sales growth reached 8% for the full year. At the same time, both the gross margin and the margin of segment result of the footwear business improved from the last year. The major reason for this achievement was because of the uncertain economic environment in early 2009 the Group started to fine-tune the business strategy in the footwear business, shifting the focus from top-line growth to maintaining and improving efficiency and profitability. More specifically by focusing performance measurement more on profitability metrics and less on new store openings and revenue growth, we were able to adjust the direction of the operations and optimize merchandising. The reasons why we made these adjustments are as follows: first, to respond to changes in the marketplace and competitive environment; second, to improve our organizational structure and human resources through learning and consolidating, after a few years of rapid growth; and third, to lay a solid foundation in order to position ourselves for future growth.

We observed an upward trend in the profitability metrics in the footwear business. In the first half of 2009 the profitability metrics were already recovering from the lows in late 2008, and in the second half of 2009 there was further improvement. The main drivers are as follows. First, on the back of improved sales performance and accelerated same store sales growth, expense ratios were lower due to operating leverage driven by higher store productivity. Second, the benefit of lower procurement cost was mostly reflected in the second half of 2009 as the purchase price was negotiated in early 2009 when the market was at a low point.

The performance of the core existing brands in the past years gave us a whole new perspective of these relatively mature brands such as Belle and Staccato, and with much more confidence. These brands, while seemingly large and mature, are still far from reaching the saturation point, in terms of both network expansion and same store sales growth potential. There are plenty of opportunities and space in the market for these brands. A highlight of the year, Staccato achieved stellar growth in same-store-sales and at the same time improved profit margins, mainly due to a set of thoughtful changes in the managerial structure and operational details. To us this is good evidence that there is no end to the gradual accumulation of managerial experience and practices. The business philosophy of improving efficiencies through managerial build-up will always be the key pillar supporting the continuous growth and development of the core brands in the long haul.

The newly acquired brands, while hit harder than the core brands in a weak economy, were also showing positive signs of recovery in the second half of 2009 on the back of improved market sentiments and the deepening of the integration process. We believe these turns to the positive will help set stage for continued recoveries in various business metrics and profitability of the newly acquired brands in the near future.

Store productivity is higher in Hong Kong but operating leverage is also high with the majority of the cost structure in fixed rent and fixed staff cost. As a result, our Hong Kong business was more affected by the weak economy. From the second half of 2009, the Hong Kong economy experienced significant improvements and turned to positive GDP growth in the fourth quarter. Against this macro backdrop our Hong Kong business was also showing sequential improvement and turned around to make a profit in the fourth quarter. The Hong Kong business is not a key growth area for the Group. But because of the unique role Hong Kong plays as a window to world fashion and tried-and-true business management, from a strategic point of view we will continue to proactively manage our retail stores in Hong Kong and try to increase market share and improve profitability.

Review of the sportswear business

The correction in the sportswear market was inevitable, because on the one hand bubbles were building up in both points of sales and also inventory prior to the 2008 Olympics because of the exuberance of market participants; and on the other hand because of the financial crisis in the second half of 2008. As for our sportswear business there was also a strong need for adjustment and consolidation due to the rapid growth in the past few years. Adjustment and optimization were the main theme of our sportswear business in 2009. On the one hand we engaged in a validation of the brand portfolio and decided to exit a couple of weak second-tier brands that lacked long-term business appeal. On the other hand we underwent a rationalization of the store portfolio, in which we closed down underperforming stores without clear prospects of profitability. At the same time we selectively added new stores that were more productive. Excluding the effect of sales of FILA business during the year, we had a net reduction of 178 to the sportswear store count for the full year. For the less productive second-tier brands we had a net closure of 383, while for the more profitable first-tier brands we had a net addition of 205 stores.

As for same-store-sales-growth trend we observed an up-tick toward the end of 2009. In the first three quarters there was a same-store-sales decline due to sluggish market conditions as well as a high base in the same period of the last year. In the fourth quarter there was a significant improvement and same-store-sales-growth turned positive. In response to the changes in market sentiment we adjusted our store rationalization tactics on a timely basis. In the first three quarters we had a net closure of 295 stores. In the fourth quarter, we added 117 net stores, with a continued reduction of 41 second-tier brand stores and a net opening of 158 first-tier brand stores.

At the end of September we completed the sale of the Fila business. The divesture of Fila, as part of the adjustment strategy in our sportswear business, would, on the one hand enable us to focus on the core business, and on the other hand help improve the overall profitability of the Group's sportswear business.

Because of the clear articulation of our strategies and effective execution, the said adjustment and optimization strategy achieved notable results. In a weak sportswear retail market and despite an inventory overhang our sportswear business improved the margin of segment result from the last year. The rationalization process of the brand portfolio and the store portfolio was largely completed. Our merchandising capabilities were also tested and improved, setting a solid foundation for the growth of the business in the next step.

Changes in the Group's business mix

Because of the significant differences in business model and profitability between the footwear segment and the sportswear segment, changes in the business mix i.e. the proportional weighting of the two business segments would have a significant impact on the blended financial metrics of the Group. In 2009 the sportswear segment contributed 40.6% of the total revenue of the Group, and 38.6% in the second half year, significantly lower than the 45.9% level in 2008. In the short term, this is mainly because of the adjustments in our growth strategy in the sportswear business. In the longer term the shift is consistent with our strategy to focus on the core footwear business. With the more profitable footwear business taking a larger share of the revenue base, the overall profitability metrics of the Group will edge higher, but at the same time certain operational metrics such as inventory turnover days would also increase.

Within the footwear segment there are two angles to look at the mix of businesses. First there is the distinction between core existing brands and newly acquired brands. Second there is the Mainland China business and the business outside the mainland.

The newly acquired businesses are expected to grow at a faster pace than the core existing business due to a relatively low base. Since the newly acquired businesses have notably lower profitability and operating efficiencies, and the improvement is expected to be a gradual process, in the near term the change in business mix will have negative implications on operating metrics such as profit margins, store productivity and inventory turnover of the footwear segment. Despite the dilution effect the profit margin of the footwear business improved in 2009 from the last year. The main reason is because the improvement in the profit margins of the core existing business more than offset the dilution effect from the faster-growing newly acquired brands.

As for regional mix, the proportional revenue from outside the Mainland (mainly Hong Kong) was higher in 2009 when compared with last year, mostly due to the inclusion of newly acquired businesses. Retail stores in Hong Kong are more susceptible to the macro economic environment because of the high fixed cost of operations. As a result the temporary increase in the proportional business from outside the mainland had a negative impact on the overall profitability and certain expense ratios of the Group. However our business in Mainland China is expected to grow much faster, both in network expansion and also in same-store-sales-growth. In the foreseeable future revenues from Hong Kong and Macau are expected to take on a smaller share of the overall business. The mainland will continue to be the focus of our business operations and future development. In the mean time, with the continuous recovery of the Hong Kong economy, the profitability of our Hong Kong business is expected to recover as well. In a business environment with lighter taxation burden, the profitability of our Hong Kong business is expected to improve from current levels in the long run.

Within the sportswear business, there is a distinction between first-tier brands and second-tier brands. With the rationalization and adjustment to the sportswear business, the proportional business from second-tier brands is getting lower. 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. Going forward we are still going to be focused on the more productive first-tier brands in developing the sportswear business. At the same time we intend to maintain adequate exposure to second-tier brands and actively experiment other business models including the multi-brand format.

Changes in effective corporate income tax rate

The effective income tax rate was 11.5% in 2009, largely consistent with last year. The main reasons why the current effective rate is significantly lower than the 25% as enacted by the Corporate Income Tax Act of China are as follows. First, New Belle Footwear (Shenzhen) Limited, the main tax entity for our footwear business in Mainland China, is subject to a three-year preferential treatment of 50% reduction in the prevailing tax rate in the region from 2008 to 2010. Second, He Zhong Apparel (Shenzhen) Limited, a subsidiary of the Group in the footwear business, is exempt from corporate income taxes this year, and will be subject to a three-year preferential treatment of 50% reduction in the prevailing tax rate in the region from 2010 to 2012.

With the gradual expiration of the abovementioned tax holidays, from 2010 to 2013 the effective income tax rate of the Group is expected to gradually climb up if there is no new preferential tax treatment obtained. We will continue to identify opportunities to 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 31 December 2009 was RMB3,915.9 million, 7.4% lower than the balance of RMB 4,229.0 million at the end of 2008, while sales volume was 10.7% higher in 2009 compared with the last year. This is evidence that inventory turnover improved from the last year. From a sequential point of view, inventory turnover improved in the second half of 2009 from the first half. The average inventory turnover days, however, increased from 138 days for the full year of 2008 to 161 days for the full year of 2009. The main reasons are as follows. First, at the end of 2008 inventory balance was higher than normal levels because of the sudden shock of the financial crisis, while at the end of 2007 the inventory level was very healthy. As a result the calculation of average inventory balance for 2009 was negatively affected, while for 2008 in a positive way. Second, the faster-growing newly acquired businesses have much lower inventory turnover efficiencies than our core existing businesses; Third, market sentiments have been warming up since the fourth quarter of 2009 and as a result our expectations are now turning more positive toward our business in the near future, both in terms of new store openings and same store sales growth. Hence there is a need for us to keep enough inventory to support a more proactive growth strategy. Under the context of a more positive economic environment our overall inventory position is at a reasonable level. With the continued integration of the newly acquired businesses and further improvement in the sportswear market, we expect inventory turnover efficiency to continue to improve.

The increase in gross margin for the footwear business

Compared with the last year the gross margin of the footwear business was higher, from 64.9% in 2008 to 65.4% in 2009. In the second half of 2009 the gross margin was as high as 66.2%. The higher gross margin was to some extent due to improved merchandising mix and more efficient operations. Optimized pricing and improved merchandise mix helped enhance the gross margin. But the main reason was due to a lower procurement cost. The benefit of lower leather cost was mostly reflected in the second half of 2009 as the purchase price was negotiated in early 2009 when the market was at a low point. From the middle of the year we observed a recovery in the broad commodity market, including leather. Hence the positive benefit from lower leather cost is likely to be non-recurring in 2010.

Bills payable

In the first half of 2009 under unique economic circumstances the Group conducted some short-term financing in the form of bills payable. The main purpose of the financing was to earn an interest spread. The bills payable were arranged in matching terms with certain deposits, and thus there was no additional market risk or credit risk involved. The majority of the bills matured during the second half of the year. As at 31 December 2009, the remaining balance was RMB 1,115.3 million. At the same time, the Group held cash and bank deposits totaling RMB 5,792.4 million, and was in a net cash position of RMB 4,677.1 million after cancelling out the bills payable balance.

Integration of newly acquired businesses

In our view there are three distinct phases within the integration process of newly acquired businesses. Phase one is the restructuring, adjustment and optimization of internal resources and business processes. Phase two is store network expansion. In phase three we expect to build up the goodwill of the brands and enrich merchandise mix on the back of streamlined internal processes and increased economy of scale, and drive the improvement of operating efficiencies and profitability with the gradual increase in store productivity. The first two phases are investment phases, in which considerable investment in financial and human resources is required. The harvest season is mostly back-end loaded in the third phase of the process.

Phase one integration of the Senda business was completed in 2008. In 2009 the integration work was mostly phase two, i.e. store network expansion. The progress is meeting expectations as we have been seeing significantly more points of sales added during the year. Currently the Senda integration is moving into phase three. Since the fourth quarter of 2009 the same-store-sales performance of the Senda business has turned a corner and improved significantly, setting stage for the continued improvement in store productivity and profitability in the next step.

The integration process of Millie's and Mirabell started later than Senda. And with an outsourcing model these businesses lacked in-house capabilities of research, development and manufacturing. In 2009 we focused the integration work on the setup of R&D teams and dedicated manufacturing facilities. Currently their integration is approaching the end of phase one. We are already insourcing the R&D, designing and production of more than half of the products for the coming season. In-house designing and manufacturing not only helps us control cost but also enables a flexible supply chain, in which sales "pull" production and as a result merchandise mix is optimized to drive higher gross margins due to less need for deep discounts and heavy promotions. We plan to speed up the store opening for Millie's and Mirabell from the later part of 2010 once the internal integration is fully completed.

Summary and Prospects

In view of the Chinese economy, although uncertainties exist in the financial markets due to policy exit expectations, there is a consensus with regard to relatively high GDP growth and the implementation of restructuring policies aimed at promoting domestic demand, both of which would have a positive impact on raising disposable income and increasing the propensity to consume in the Chinese economy.

Based on this view we are cautiously optimistic on the business development in 2010 as well as the next two to three years. In the footwear business we expect to maintain a steady and continuous growth of sales, mainly driven by the store network expansion and same-store-sales-growth of core existing brands as well as the network expansion and improvement in store productivity of the new brands. New store openings for the core existing brands will be mainly focused on the second and third tier cities where penetration is relatively low. As of the end of 2009 the distribution of our retail stores in the footwear business in the 1st-tier, 2nd-tier and 3rd-tier markets are 20%, 37% and 43%, respectively, while new stores opened during the year for the core existing brands are mainly focused on 3rd-tier markets, with 9% in 1st-tier market, 24% in 2nd-tier market and 67% in 3rd-tier market. For the new brands store rollout plans will be based on the specific market positioning of each brand and their current penetration levels. Higher-end brands will be more focused on first-tier and second-tier cities. Middle-end brands will be more focused on second-tier and third-tier cities. With the retail market continuing to recover, integration of newly acquired businesses gradually bearing fruit, and the core existing brands continuing to improve same-store productivity, we expect the profitability of the footwear business to improve further on the back of the achievements in 2009.

The sportswear market is expected to have a compensatory growth in 2010. And the continued increase in disposable income of consumers would be a key driving force behind the sustainable growth of the consumption of sportswear products. The proactive adjustment in the past one plus years would enable the Group to focus our energy and resources on a more proactive strategy in the sportswear business. In the fourth quarter of 2009 we turned to net store openings from net closing-downs in the first three quarters. We opened more than 150 new stores in the more productive first-tier brands in the fourth quarter alone. In the near future we will maintain an appropriate growth in the store network and proactively occupy favorable market space. On the back of the recovery of the sportswear market, the optimization of the store network, and improved same-store productivity, we expect the profitability of the sportswear business to further improve.

As a consumer retail company we are always dedicated to providing consumers with choice, and products that are competitive along a variety of dimensions such as value, quality and fashion, etc. And to be able to do this we are always very much focused on the supply chain, responsiveness and effective execution. There are currently two major trends in the consumer market in China. First, a large number of new consumers are exposed to an urban life style every year with the rapid urbanization process. Second, with higher income and the sophistication of taste, the mainstream consumer groups are demanding more diversified and individualized product offerings. The former is growth based on quantity while the latter is growth based on quality. Facing differentiated demands we will seize the opportunity and continue to build a diversified brand portfolio and differentiated product portfolio, manage production and logistics according to the "pull" from consumer demand, and create consumer value with the right product offerings; and in the mean time create value for shareholders.

The past one plus years have been extraordinary. The business environment was full of uncertainties and challenges, unprecedented in the close to twenty years of history of the Group. At the same time, after years of rapid growth both on scale and complexity of the business of the Group are now much higher, posing significant challenges to the management team in terms of technical skills, business acumen, and managerial capabilities. It was a serious test of the management team's execution when we proactively initiated adjustments to the growth strategy and operational tactics to deal with the complex environment. Fortunately our management teams at all levels passed this test smoothly. The execution of the adjustment strategies was swift and effective. The objectives of structural adjustment and profitability improvement were successfully achieved within the predefined time horizon. I am very pleased to see the result. But I am even more delighted, and moved, to see the high spirits of our managers from all levels at each quarterly meeting of the Group when we review the business and formulate plans, always courageous when dealing with difficulties and enthusiastic in taking on challenges. In 2009 the revenue of the Group is approaching the RMB 20 billion level, more than three times as large as that of three years ago. But we did not lose our traditional flexibility in operating the business because of wider spans of attention, heightened complexities of business and increased layers of management. Actual results speak for themselves and we believe that strong businesses with competitive advantages in business philosophy, processes and resources are much better positioned to survive challenges and seize opportunities.

Since the successful IPO of the Group in 2007, I was worried from time to time that the management team might lose motivation and become victims of our past success. However the outstanding performance of our teams at all levels in 2009 amid the financial crisis clearly proved that my worries were unnecessary and we as a team are still filled with the same passion and enthusiasm as we had as a startup business.

We believe that after enduring the acid tests challenges we will be more humble and pragmatic, more prudent yet proactive. And we are in a better position to forge ahead with determination, and maintain our leadership in the industry. On behalf of the board of Directors and all employees of the Group, I would like to take this opportunity to thank you all the shareholders of the Group for your long-time care, support and understanding!

Sheng Baijiao
CEO and Executive Director

24 March 2010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Financial Review

The Group continued to benefit from fast growth. During the year ended 31 December 2009, the Group recorded revenue and operating profit of RMB19,761.6 million and RMB2,824.2 million respectively, achieving growth rate of 10.7% and 23.9% respectively. Operating profit before other income and other losses/gains increased by 28.6% to RMB2,818.9 million when compared with last year. The profit attributable to the Company's equity holders increased by 26.0% to RMB2,533.5 million.

Revenue

The Group's revenue increased by 10.7% to RMB19,761.6 million in 2009 from RMB17,855.8 million in 2008. This was mainly attributable to the continually steady growth of sales generated from the footwear business as compared with last year. Sales from footwear business and sportswear business increased and decreased by RMB2,069.5 million and RMB163.7 million respectively, from RMB9,663.7 million and RMB8,192.1 million in 2008 to RMB11,733.2 million and RMB8,028.4 million in 2009.

	Year ended 31 December				
	2009		2008		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**10,736.9**	**54.3%**	8,826.4	49.4%	21.6%
Distribution brands	**781.9**	**4.0%**	697.4	3.9%	12.1%
OEM	**214.4**	**1.1%**	139.9	0.8%	53.3%
	11,733.2	**59.4%**	9,663.7	54.1%	21.4%
Sportswear					
First-tier sportswear brands*	**6,695.7**	**33.8%**	6,713.0	37.6%	(0.3%)
Second-tier sportswear brands*	**1,238.5**	**6.3%**	1,409.9	7.9%	(12.2%)
Other sportswear business	**94.2**	**0.5%**	69.2	0.4%	36.1%
	8,028.4	**40.6%**	8,192.1	45.9%	(2.0%)
Total	**19,761.6**	**100.0%**	17,855.8	100.0%	10.7%

Unit: RMB million

Note:

* *The first-tier sportswear brands include Nike and Adidas. The second-tier sportswear brands include Kappa, PUMA, Converse 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, operating profit increased by 23.9% to RMB2,824.2 million. Operating profit before other income and other losses/gains increased by 28.6% to RMB2,818.9 million when compared with last year. The profit attributable to the Company's equity holders increased by 26.0% to RMB2,533.5 million.

	Year ended 31 December					
	2009		2008		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	**RMB million**	RMB million	RMB million	%	%
Revenue	**11,733.2**	**8,028.4**	9,663.7	8,192.1	21.4%	(2.0%)
Cost of sales	**(4,057.6)**	**(5,162.4)**	(3,394.1)	(5,233.3)	19.5%	(1.4%)
Gross Profit	**7,675.6**	**2,866.0**	6,269.6	2,958.8	22.4%	(3.1%)
Gross profit margin (%)	**65.4**	**35.7**	64.9	36.1		

Cost of sales increased by 6.9% from RMB8,627.4 million in 2008 to RMB9,220.0 million in 2009. The increase in cost of sales was lower than increase in revenue. It is mainly due to increase in proportional sales of footwear business to the Group's revenue in 2009 and benefit of lower procurement cost of footwear business reflected in the second half of 2009 as the purchase price was negotiated in early 2009 when the market was at a low point.

Gross profit increased by 14.2% to RMB10,541.6 million in 2009 from RMB9,228.4 million in 2008. Gross profit in our footwear segment increased by 22.4% to RMB7,675.6 million in 2009 from RMB6,269.6 million in 2008 while gross profit in the sportswear segment decreased by 3.1% to RMB2,866.0 million in 2009 from RMB2,958.8 million in 2008.

During the year, the gross profit margins of footwear business and sportswear business were 65.4% and 35.7% respectively. Compared to last year, there are no material changes in the gross profit margins of footwear business and sportswear business. Owing to differences in the respective business models, sportswear products generally have lower gross profit margin than our footwear products. As the gross profit margin of the footwear business has improved slightly from last year, and that there has been a change in the proportional sales of the Group between the footwear business and the sportswear business, the Group's gross profit margin as a whole increased to 53.3% in 2009 from 51.7% in 2008.

Selling and distribution expenses in 2009 amounted to RMB6,284.4 million (2008: RMB5,676.5 million), primarily consist of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retail outlets' decorations and advertising and promotional expenses. General and administrative expenses in 2009 amounted to RMB1,438.4 million (2008: RMB1,359.6 million), primarily consisting of management and administrative personnel salaries and depreciation charges on office premises and office equipment. Comparing to 2008, in term of percentage, both selling and distribution expenses and general and administrative expenses to sales maintained at a steady level of 31.8% (2008: 31.8%) and 7.3% (2008: 7.6%) respectively.

Finance income increased to RMB113.1 million in 2009 from RMB72.6 million in 2008. The increase is mainly due to the increase in term and structured bank deposits during the year, but is partially offset by the drop of bank deposit interest rates.

Interest expense increased to RMB65.8 million in 2009 from RMB29.7 million in 2008, as a result of the increase in bills payable. During the year ended 31 December 2009, Renminbi appreciated against Hong Kong dollar by 0.2% and the Group recorded a net exchange loss of approximately RMB11.8 million (2008: RMB61.5 million).

Income tax expense in 2009 amounted to RMB329.9 million (2008: RMB257.6 million). The current year effective income tax rate maintained at 11.5% (2008: 11.4%) as there is no material change in tax rate applicable to the Group's companies. In 2009, He Zhong Apparel (Shenzhen) Limited, a subsidiary of the Group in the footwear business, is still exempted from corporate income taxes. In addition, New Belle Footwear (Shenzhen) Limited, our major domestic operating unit, 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 31 December 2009, the working capital of the Group was RMB9,621.0 million, representing an increase of 50.0% as compared to 31 December 2008, which is mainly due to increase in cash and bank balance.

During the year, net cash generated from operations amounted to RMB3,237.0 million, increased by 31.5%, from RMB2,461.2 million of last year. This reflects the Group's ability to generate solid earnings.

Net cash used in investing activities for the year ended 31 December 2009 was RMB3,525.9 million (2008: RMB4,923.7 million). During the year, the Group invested approximately RMB1,893.8 million, RMB1,545.0 million, RMB533.8 million and RMB275.6 million on deposit in term deposits with initial terms of over three months, net deposit in structured bank deposits, purchase of property, plant and equipment (including retail outlets' decorations), and payments and deposits for purchase of intangible assets, leasehold land and land use rights respectively. Proceeds from sale of buildings, leasehold land and land use rights of approximately RMB335.2 million and net proceeds from disposal of subsidiaries of approximately RMB279.9 million partly offset the above investments.

During the year, net cash generated from financing activities was RMB85.1 million (net cash used in 2008: RMB245.8 million), mainly attributable to net proceeds from issuance of bills of exchange of RMB1,115.3 million, and partly offset by the 2008 final dividend payment of RMB295.2 million, the 2009 interim dividend payment of RMB295.2 million and net repayment of borrowings of RMB482.0 million. During the year, the Group conducted some short-term financing in the form of bills payable. As at 31 December 2009, the bills payable amounted to RMB1,115.3 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 31 December 2009, the Group's gearing ratio was 6.0% (31 December 2008: 3.0%) (Gearing ratio is calculated using the following formula: Total of Bills payable and Borrowings / Total Assets). The Group's current ratio was 4.1 times (31 December 2008: 3.0 times) (the current ratio is calculated using the following formula: Current Assets / Current Liabilities).

As at 31 December 2009, the Group held cash and cash equivalents, structured bank deposits and term deposits with initial terms of over three months totaling RMB5,792.4 million (31 December 2008: 2,984.6 million), and was in a net cash position of RMB4,677.1 million (31 December 2008: 2,481.2 million) after netting off the bills payable of RMB1,115.3 million (31 December 2008: unsecured short-term bank borrowings of 503.4 million).

Pledge of assets

As at 31 December 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 (2008: nil).

Contingent Liabilities

As at 31 December 2009, the Group had no material contingent liabilities.

Subsequent Events

In February 2010, the Group has entered into a provisional sale and purchase agreement with an independent third party for the sale of an office property in Hong Kong at a consideration of HK$66,000,000 (approximately RMB58,112,000). The transaction is expected to be completed by July 2010 with a gain.

Human Resources

As at 31 December 2009, the Group had a total of 71,780 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.

The board of directors (the "Board") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2009.

Principal Activities

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

The analysis of the Group's performance by reportable segments of the Group during the year are set out in note 5 to the financial statements.

Results and Dividends

The profit of the Group for the year ended 31 December 2009 and the financial position of the Group and of the Company as at that date are set out in the financial statements on pages 45 to 116.

The Board declared on 26 August 2009 an interim dividend of RMB3.5 cents per share, totaling RMB295,198,000 and the interim dividend was paid on 13 October 2009.

The Board recommended the payment of a final dividend of RMB4.0 cents (equivalent to HK4.55 cents) per share in respect of the year ended 31 December 2009, totaling RMB337,369,000.

The translation of RMB into Hong Kong dollars is made for illustration purpose only, at the rate of HK$1.00=RMB0.87944. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be the official fixing exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China on 26 May 2010, being the date on which the dividend is proposed to be approved by the shareholders of the Company at its annual general meeting.

Closure of Register of Members

The dividend will be payable on or about 9 June 2010 to the shareholders whose names appear on the register of members of the Company on 26 May 2010. The register of members of the Company will be closed from Monday, 24 May 2010 to Wednesday, 26 May 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 20 May 2010.

Distributable Reserves

As at 31 December 2009, distributable reserves (including share premium and retained earnings) of the Company amounted to RMB10,764,585,000 (2008: RMB10,380,802,000). The movements on distributable reserves during the year are set out in notes 32 and 33 to the financial statements.

Major Customers and Suppliers

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

Purchases from the Group's five largest suppliers accounted for approximately 57.7% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 28.7% of the Group's purchases.

During the year, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major suppliers or customers.

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately RMB533.8 million (2008: RMB1,077.0 million). Details of the movements in property, plant and equipment are set out in note 16 to the financial statements.

Share Capital

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's shares during the year.

Pre-emptive Rights

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

Directors

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

Executive Directors

Mr. Tang Yiu (Chairman)
Mr. Sheng Baijiao (Chief Executive Officer)
Mr. Yu Mingfang
Mr. Tang King Loy (appointed on 15 May 2009)
Ms. Tang Ming Wai (resigned on 15 May 2009)

Non-executive Directors

Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors

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

In accordance with article 87 of the Company's articles of association, Mr. Tang Yiu (an Executive Director), Mr. Gao Yu (a Non-executive Director) and Mr. Ho Kwok Wah, George (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Tang Yiu, Mr. Gao Yu and Mr. Ho Kwok Wah, George is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting.

The biographical details of the Directors and senior management as at the date of this report are set out in this report on pages 40 to 42.

Directors' Service Contracts

Each of the Executive Directors has entered into a service contract with the Company on 20 March 2010 for a term of three years commencing on 1 May 2010, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. The emoluments specified in the service contract appointing an Executive Director consist of basic salary (which is subject to annual review of the Board and remuneration committee), mandatory retirement fund contributed by the Group and a discretionary bonus as may be decided by the Board and remuneration committee at their discretion. Emoluments are determined with reference to the job responsibility of the Executive Director, prevailing market rate for his position in the Group, together with a discretionary bonus based on his performance.

Each of the Non-executive and Independent Non-executive Directors has entered into a letter of appointment with the Company on 20 March 2010 for an initial term of one year commencing on 1 May 2010, and shall continue thereafter for successive period of one year subject to a maximum of three years unless terminated by either party giving at least one month's notice in writing. No fees are payable to our Non-executive Directors under the appointment letters. The emoluments payable to an Independent Non-executive Director are determined with reference to his job responsibility and prevailing market rate for his position.

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

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

As at 31 December 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)*	2,745,375,000 (L)	32.55%
Mr. Sheng Baijiao	Interest in controlled corporation *(Note 3)*	657,750,000 (L)	7.80%
	Beneficial Interest	75,000,000 (L)	0.89%

Notes:

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

(2) These ordinary shares of HK$0.01 each ("Shares") were held by Profit Leader Holdings Limited ("Profit Leader"), a limited liability company incorporated in the British Virgin Islands. Mr. Tang Yiu was beneficially interested in the entire issued share capital of Merry Century Investments Limited ("Merry Century") and Merrylink Resources Limited, which were together interested in 63.8% of the issued share capital of Profit Leader.

(3) These Shares were held by Handy Limited ("Handy"), a limited liability company incorporated in the British Virgin Islands. Mr. Sheng Baijiao was interested in 56.4% of the issued share capital of Handy.

(ii) Interests in underlying shares of the Company

None of the Directors of the Company has been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, none of the Directors of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

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

As at 31 December 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	657,750,000 (L)	7.80%
Essen Worldwide Limited	Beneficial Interest	618,625,000 (L)	7.33%
Profit Leader	Beneficial Interest	2,745,375,000 (L)	32.55%
Merry Century	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%
Golden Coral Holdings Limited	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%

Notes:

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

(2) These Shares were held by Profit Leader. Merry Century was interested in 53.3% of the issued share capital of Profit Leader. Golden Coral Holdings Limited was interested in 36.2% 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 31 December 2009.

Share Option Scheme

The Company adopted its share option scheme pursuant to shareholders resolution passed on 27 April 2007 (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders of the Company and to retain and attract calibres and working partners whose contributions are or may be beneficial to the growth and development of the Group.

Pursuant to the Share Option Scheme, the Board may at its discretion grant options to (i) any executive director, or employee (whether full time or part time) of the Company, any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any non-executive director (including independent non-executive director) of the Company, any member of the Group or any Invested Entity ((i) and (ii) collectively "Eligible Employees"); (iii) any supplier of goods or services to the Company, any member of the Group or any Invested Entity; (iv) any customer of the Company, any member of the Group or any Invested Entity; and (v) any such persons (including but not limited to consultant, advisor, contractor, business partner or service provider of the Company or any member of the Group or any Invested Entity) who in the absolute discretion of the Board has contributed or will contribute to the Group (collectively "Qualified Participants").

The Share Option Scheme shall be valid and effective for 10 years from the date on which the shares of the Company first commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in respect of which options may be granted under the Share Option Scheme or other share option schemes as may be adopted by the Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of Shares in issue as of the Listing Date, unless such scheme mandate limited is renewed by shareholders of the Company in a general meeting.

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

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

Sufficiency of Public Float

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

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, were subsisting during or at the end of the financial year ended 31 December 2009.

Bank Borrowings

Particulars of bank borrowings of the Company and of the Group as at 31 December 2009 are set out in note 31 to the financial statements.

Continuing Connected Transactions

Fila Korea Limited and Fila Sport Limited

Full Prospect Limited ("Full Prospect") was a non-wholly owned subsidiary of the Company which the Company was interested in 85% of its issued share capital on a fully converted basis up to 30 September 2009 (being the date on which the Group disposed the entire 85% interest in Full Prospect and the entire interest in Fila Marketing (Hong Kong) Limited ("Fila Marketing") to a third party, thereby the Group ceasing to have any interest in both Fila Marketing and Speed Benefit Limited). Fila Luxembourg S.a.r.l ("Fila Luxembourg"), a shareholder of Full Prospect, is interested in 15 class B convertible shares, representing 15% of the issued share capital of Full Prospect on a fully converted basis. Fila Korea Limited ("Fila Korea") is the ultimate holding company of Fila Luxembourg and Fila Sport Limited ("Fila Sport"). Therefore, Fila Korea, being a substantial shareholder of the Group, and Fila Sport, being an associate of the substantial shareholder of the Group, were connected persons of the Company within the meaning of the Listing Rules.

On 23 December 2007, Fila Marketing and Speed Benefit Limited, both subsidiaries of the Company up to 30 September 2009, entered into a master sales agreement with Fila Korea and Fila Sport, pursuant to which Fila Korea and Fila Sport have agreed to supply footwear products, sports/lifestyle apparels, bags and accessories and other ancillary products manufactured by or offered by Fila Korea, and its affiliates ("Fila Products") to the Group on a continuing basis. The payment terms of the individual transactions will be determined by the relevant contracting parties at the time of entering into the transactions with reference to factors such as the relevant transaction amount, nature and specification requirement for the particular transaction. During the period from 1 January 2009 to 30 September 2009, the amount payable by the Group to Fila Korea and Fila Sport was approximately RMB8,547,000.

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

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

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

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

Five-year Financial Summary

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

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**19,761,634**	17,855,785	11,671,858	6,238,560	1,731,833
Gross profit	**10,541,611**	9,228,413	5,902,466	3,500,745	957,145
Gross profit margin	**53.34%**	51.68%	50.57%	56.11%	55.27%
Operating profit	**2,824,165**	2,279,303	1,754,915	1,024,624	292,288
Operating profit margin	**14.29%**	12.77%	15.04%	16.42%	16.88%
Profit attributable to equity holders of the Company	**2,533,499**	2,010,435	1,979,106	976,569	234,865
Structured bank deposits, term deposits, bank balances and cash	**5,792,371**	2,984,605	5,213,167	302,095	235,904
Bank loans, overdraft and bills payable	**1,115,253**	503,488	200,000	819,182	155,238
Total assets	**18,624,731**	17,022,559	13,539,243	4,445,172	1,600,641
Total liabilities	**3,301,730**	3,591,208	1,502,882	1,811,208	773,469
Total equity	**15,323,001**	13,431,351	12,036,361	2,633,964	827,172

Retirement Schemes

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

Confirmation of Independence

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

Auditor

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

By order of the Board

Tang Yiu
Chairman

Hong Kong, 24 March 2010

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

During the year ended 31 December 2009, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as stated in Appendix 14 to the Listing Rules.

Board

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

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

Board of Directors	**Audit Committee**	**Remuneration Committee**
Executive Directors		
Mr. Tang Yiu (Chairman)	N/A	N/A
Mr. Sheng Baijiao (Chief Executive Officer)	N/A	√
Mr. Yu Mingfang	N/A	N/A
Mr. Tang King Loy (appointed on 15 May 2009)	N/A	N/A
Ms. Tang Ming Wai (resigned on 15 May 2009)	N/A	N/A
Non-executive Directors		
Mr. Gao Yu	N/A	N/A
Ms. Hu Xiaoling	N/A	N/A
Independent Non-executive Directors		
Mr. Ho Kwok Wah, George	√	N/A
Mr. Chan Yu Ling, Abraham	√	√
Dr. Xue Qiuzhi	√	√

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

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

	Meetings attended/held		
	Board	Audit Committee	Remuneration Committee
Mr. Tang Yiu (Chairman)	5/5	N/A	N/A
Mr. Sheng Baijiao (Chief Executive Officer)	5/5	N/A	2/2
Mr. Yu Mingfang	5/5	N/A	N/A
Mr. Tang King Loy (appointed on 15 May 2009)	3/3	N/A	N/A
Ms Tang Ming Wai (resigned on 15 May 2009)	2/2	N/A	N/A
Mr. Gao Yu#	5/5	N/A	N/A
Ms. Hu Xiaoling#	5/5	N/A	N/A
Mr. Ho Kwok Wah, George*	5/5	3/3	N/A
Mr. Chan Yu Ling, Abraham*	5/5	3/3	2/2
Dr. Xue Qiuzhi*	5/5	3/3	2/2

Non-executive Directors

* *Independent Non-executive Directors*

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

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

Biographical details of the Directors and senior management of the Company as at the date of this report are set out on pages 40 to 42 of this annual report.

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

Appointment and Re-election of Directors

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering the appointment of new Directors. Currently, all Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of three years.

In accordance with article 87 of the Company's articles of association, Mr. Tang Yiu (an Executive Director), Mr. Gao Yu (a Non-executive Director) and Mr. Ho Kwok Wah, George (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Tang Yiu, Mr. Gao Yu and Mr. Ho Kwok Wah, George is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting.

Chairman and Chief Executive

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

Audit Committee

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

The Audit Committee met three times in the year of 2009. All members of the Audit Committee attended the meetings. Major work completed by the Audit Committee during the year includes:

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

Remuneration Committee

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

- making recommendations to the Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration;
- determining the terms of the specific remuneration package of the Directors and senior management;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time; and
- considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme upon authorization by the Board of the Company.

The Remuneration Committee met twice in the year of 2009. During the meeting, the Committee reviewed the remuneration policy of the Group for the year of 2009. All members of the Remuneration Committee attended the meetings.

Directors' and Auditor's Responsibilities for the Financial Statements

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

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 43 and 44.

Internal Control

The Board is responsible for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The Board convenes meetings with the Audit Committee to conduct regular reviews of the effectiveness of the internal control system of the Company and the Group. In respect of the year ended 31 December 2009, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, including the financial, operational and compliance controls, risk management functions, adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

Auditor's Remuneration

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

	2009 In RMB million
Audit services	8.1
Audit-related services	0.7
Non-audit services	0.2
Total	9.0

Model Code for Securities Transactions

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

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

Social Responsibility

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

Investor and Shareholder Relations

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

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

Executive Directors

Mr. Tang Yiu ("Mr. Tang"), aged 75, is our Executive Director, Chairman of our Company and the founder of our Group. With over 30 years of experience in the footwear manufacturing industry, Mr. Tang is primarily responsible for our Group's overall strategic planning. He is currently the Chairman of The Federation of Hong Kong Footwear Limited, a committee member of the Chinese People's Consultative Conference in the Sanshui District of Foshan in the PRC and a committee member of the Unified Association of Kowloon West Limited. Mr. Tang has also been awarded with the Certificate of Foshan Honorary Citizenship by the Foshan Municipality in the PRC in November 2004. Mr. Tang is the father of Mr. Tang King Loy, an Executive Director. Mr. Tang holds directorships in certain subsidiaries of the Company. Mr. Tang is also a director of Profit Leader Holdings Limited and Merry Century Investments Limited, both of which have an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Sheng Baijiao ("Mr. Sheng"), aged 57, is our Executive Director and the Chief Executive Officer of our Company. Mr. Sheng joined our Group in 1991 and has almost 20 years of experience in the footwear industry. Mr. Sheng is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Prior to joining our Group, Mr. Sheng worked at the China Merchants Shekou Industrial Zone Light & Textile Industries Development Company (招商局蛇口工業區輕紡開發公司). Mr. Sheng is currently the Vice Chairman of the China Leather Industry Association (中國皮革工業協會) and the Chairman of the Shenzhen Leather and Shoes Association(深圳市皮革行業協會). Mr. Sheng holds directorships in certain subsidiaries of the Company. Mr. Sheng is also a director of Handy Limited, which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company udner Part XV of the SFO.

Mr. Yu Mingfang ("Mr. Yu"), aged 51, is our Executive Director. Mr. Yu joined our Group in 2005 and has over 15 years of experience in the management of footwear retail business. Mr. Yu is primarily responsible for the operation management of our footwear retail business. He is currently a member of the Beijing Federation of Industry and Commerce(北京市工商聯合會)and the Beijing Chamber of Commerce (北京市商會). Mr. Yu holds a degree in business administration from Beijing Administrative College (北京行政學院) and another degree in corporate management from the Capital University of Economics and Business (首都經濟貿易大學).Mr. Yu holds directorships in certain subsidiaries of the Company. Mr. Yu is also a director of Golden Coral Holdings Limited, which has an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under Part XV of the SFO.

Mr. Tang King Loy, aged 39, is our Executive Director and Senior Vice President. Mr. Tang King Loy has joined our Group since 1999 and has more than 10 years of experience in footwear industry. Mr. Tang King Loy is primarily responsible for implementation of decisions and policies relating to the Group's overall business plan as approved by the Board and the Chief Executive Officer and management of footwear business. Mr. Tang King Loy graduated from The University of Hong Kong with a Bachelor's degree of science and a Master's degree in Physics. He is currently an executive director of The Federation of Hong Kong Footwear Limited. Mr. Tang King Loy has been appointed as one of the authorized representatives of the Company. Mr. Tang King Loy is a son of Mr. Tang, the Chairman and an Executive Director. Mr. Tang King Loy holds directorships in certain subsidiaries of the Company.

Non-executive Directors

Mr. Gao Yu ("Mr. Gao"), aged 36, is our Non-executive Director. Mr. Gao was appointed as a Director of our Company in August 2006. He is currently a Managing Director of the Private Equity Division of Morgan Stanley Asia Limited, primarily focusing on private equity investment activities in China, and a non-executive director of China Dongxiang (Group) Co., Ltd., a company listed on the Main Board of the Stock Exchange. Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about 5 years. Mr. Gao has also worked in Donaldson, Lufkin & Jenrette's Debt Capital Markets Group in New York. Mr. Gao graduated from Stanford University with a Master's degree in engineering-economic systems and operations research as well as from Tsinghua University in Beijing（北京清華大學）with dual Bachelor's degrees in engineering and economics.

Ms. Hu Xiaoling ("Ms. Hu"), aged 39, is our Non-executive Director. She was appointed as a Director of our Company in September 2005 and is currently the Managing Director of CDH China Growth Capital Management Company Limited, which is the management company of CDH China Growth Capital Fund II L.P.. Ms. Hu had previously worked in the direct investment department of China International Capital Corporation Limited and for Arthur Anderson. She is a Chinese certified public accountant and a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University(北京交通大學)previously known as Northern Jiaotong University（北方交通大學）with a Master's degree in economics and accounting and Bachelor's degree in economics.

Independent Non-executive Directors

Mr. Ho Kwok Wah, George ("Mr. Ho"), FCPA (Practising), aged 51, is our Independent Non-executive Director, who was appointed as a Director of our Company in October 2006. Mr. Ho has over 22 years of experience in accounting, auditing and financial management. He is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. From 2001 to 2003, Mr. Ho was the president of The Hong Kong Institute of Accredited Accounting Technicians. Mr. Ho is currently the proprietor of George K.W. Ho & Co., Certified Public Accountants. Mr. Ho is also currently a director of The Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. Mr. Ho is currently an independent non-executive director and an audit committee member of Town Health International Holdings Limited, as well as an independent non-executive director, chairman of audit committee, and member of remuneration and nomination committee of Sundart International Holdings Limited, both being companies listed on the Main Board of the Stock Exchange.

Mr. Chan Yu Ling, Abraham ("Mr. Chan"), aged 49, is our Independent Non-executive Director. He was appointed as a Director of our Company in October 2006. Mr. Chan is a chartered engineer in the United Kingdom, a professional engineer in Ontario, Canada and is currently the Chairman of PuraPharm Corporation Limited. Mr. Chan is also currently a member of the Institution of Structural Engineers in the United Kingdom, Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, the former President and Council Member of the Modernized Chinese Medicine International Association Limited, and a former part-time member of the Central Policy Unit of The Government of Hong Kong Special Administrative Region. Mr. Chan graduated from the University of Toronto in Canada with a Bachelor's degree in applied science in 1982.

Dr. Xue Qiuzhi ("Dr. Xue"), aged 58, is our Independent Non-executive Director. He was appointed as a Director of our Company in October 2006. Dr. Xue is currently an associate dean of the School of Management of Fudan University. Dr. Xue became a professor of Fudan University in 1996. Dr. Xue was the head of the Department of International Business Administration of Fudan University from 1993 to 1999, and the head of the Department of Business Administration at the same university from 1999 to 2003. Dr. Xue graduated from Wuhan University with a Bachelor's degree in economics in 1982 and obtained a Master's degree in political economics and a Doctoral degree in economics from the Universite Libre de Bruxelles in Belgium in 1984 and 1988, respectively.

Senior Management

Mr. Song Xiaowu ("Mr. Song"), aged 44, is our deputy general manager who is primarily responsible for the production management of our Group. Mr. Song joined our Group in 1993 and has over 15 years of experience in the production management of footwear. Mr. Song was also previously responsible for various production processes such as production, technology and quality control.

Ms. Li Zhao ("Ms. Li"), aged 52, is our deputy general manager who is primarily responsible for the sales division of our sportswear retail business. Ms. Li joined our Group in 1995 and has left our Group in 1997. She subsequently rejoined our Group in 2005. Prior to joining our Group, Ms. Li worked for Shekou Light & Textile Industries Industrial Development Company（蛇口輕紡工業開發公司）and China Textile Academy（中國紡織科學研究院）. Ms. Li graduated from Donghua University（東華大學）with a Bachelor's degree in textile mechanical engineering. Ms. Li also holds a Master's degree in business administration from Shanghai Maritime University（上海海運學院）and a Master of Business Administration for Senior Management from the Shanghai Jiaotong University（上海交通大學）.

Company Secretary

Mr. Leung Kam Kwan ("Mr. Leung"), FCPA, aged 45, is our company secretary and the chief financial manager. Mr. Leung joined our Group in September 2004. Mr. Leung has over 20 years of experience in accounting, financial management and internal control. Prior to joining our Group, Mr. Leung had held various senior positions at listed companies in Hong Kong and had previously worked for KPMG. Mr. Leung graduated from City University of Hong Kong with a Bachelor's degree in accounting. He is also a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants as well as a member of the Hong Kong Institute of Chartered Secretaries.

Notes:

1 The Directors' interests in Shares and underlying Shares of the Company, if any, within the meaning of Part XV of the SFO as at 31 December 2009 are disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report. Saved as disclosed above and in this annual report, none of the Directors has any other interest in Shares and underlying Shares within the meaning of Part XV of the SFO.

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

3 In accordance with article 87 of the Company's articles of association, Mr. Tang (an Executive Director), Mr. Gao (a Non-executive Director) and Mr. Ho (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Each of Mr. Tang, Mr. Gao and Mr. Ho is eligible to, and has elected to, offer himself for re-election as Director at the forthcoming annual general meeting.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 116, which comprise the consolidated and company balance sheets as of 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31 December 2009, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Revenue	5	**19,761,634**	17,855,785
Costs of sales		**(9,220,023)**	(8,627,372)
Gross profit		**10,541,611**	9,228,413
Selling and distribution expenses		**(6,284,374)**	(5,676,469)
General and administrative expenses		**(1,438,359)**	(1,359,603)
Other income	6	**14,855**	18,231
Other (losses) / gains	7	**(9,568)**	68,731
Operating profit	8	**2,824,165**	2,279,303
Finance income		**113,097**	72,552
Finance costs		**(77,643)**	(91,260)
Finance income / (costs), net	9	**35,454**	(18,708)
Profit before income tax		**2,859,619**	2,260,595
Income tax expense	10	**(329,928)**	(257,558)
Profit for the year		**2,529,691**	2,003,037
Attributable to:			
Equity holders of the Company		**2,533,499**	2,010,435
Minority interests		**(3,808)**	(7,398)
		2,529,691	2,003,037
Earnings per share for profit attributable to equity holders of the Company during the year	12		
– basic		**RMB30.04 cents**	RMB23.82 cents
– diluted		**RMB30.04 cents**	RMB23.82 cents

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out in Note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**2,529,691**	2,003,037
Other comprehensive income / (loss)		
Exchange differences	**5,150**	(25,448)
Other comprehensive income / (loss) for the year, net of tax	**5,150**	(25,448)
Total comprehensive income for the year	**2,534,841**	1,977,589
Attributable to:		
Equity holders of the Company	**2,538,649**	1,984,987
Minority interests	**(3,808)**	(7,398)
	2,534,841	1,977,589

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

		As at 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,841,408**	2,225,763
Leasehold land and land use rights	17	**739,292**	1,437,124
Investment properties	18	**12,393**	22,458
Intangible assets	19	**2,794,274**	3,360,271
Long-term deposits, prepayments and other non-current assets		**451,694**	240,977
Deferred income tax assets	21	**94,185**	78,707
		5,933,246	7,365,300
Current assets			
Inventories	22	**3,915,901**	4,228,964
Trade receivables	23	**1,760,512**	1,864,861
Other receivables, deposits and prepayments		**608,896**	578,829
Structured bank deposits	24	**1,789,576**	249,333
Term deposits with initial terms of over three months	25	**2,312,247**	408,676
Cash and cash equivalents	26	**1,690,548**	2,326,596
		12,077,680	9,657,259
Non-current assets held for sale	27	**613,805**	—
		12,691,485	9,657,259
Total assets		**18,624,731**	17,022,559

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Note	As at 31 December 2009 RMB'000	2008 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	32	**83,056**	83,056
Share premium		**9,214,078**	9,214,078
Reserves	33	**6,025,867**	4,077,094
		15,323,001	13,374,228
Minority interests		**—**	57,123
Total equity		**15,323,001**	13,431,351
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	21	**229,360**	296,313
Other non-current liabilities		**1,899**	49,676
		231,259	345,989
Current liabilities			
Trade payables	28	**718,061**	1,459,169
Bills payable	29	**1,115,253**	—
Other payables, accruals and other current liabilities	30	**974,596**	980,246
Short-term borrowings	31	**—**	503,448
Current income tax liabilities		**262,561**	302,356
		3,070,471	3,245,219
Total liabilities		**3,301,730**	3,591,208
Total equity and liabilities		**18,624,731**	17,022,559
Net current assets		**9,621,014**	6,412,040
Total assets less current liabilities		**15,554,260**	13,777,340

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2009

		As at 31 December	
		2009	2008
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**9,114,698**	9,543,082
Current assets			
Amounts due from subsidiaries	20	**1,920,781**	1,420,127
Prepayments and other receivables		**617**	559
Cash and cash equivalents	26	**6,723**	778
		1,928,121	1,421,464
Total assets		**11,042,819**	10,964,546
EQUITY			
Capital and reserves			
Share capital	32	**83,056**	83,056
Share premium	32	**9,331,889**	9,331,889
Reserves	33	**1,432,766**	1,048,983
Total equity		**10,847,711**	10,463,928
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	20	**189,593**	498,997
Other payables and accruals	30	**5,515**	1,621
Total liabilities		**195,108**	500,618
Total equity and liabilities		**11,042,819**	10,964,546
Net current assets		**1,733,013**	920,846
Total assets less current liabilities		**10,847,711**	10,463,928

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Capital and reserves attributable to equity holders of the Company									
	Share Capital RMB'000 (Note 32)	Share Premium RMB'000	Merger Reserve RMB'000	Statutory Reserves RMB'000	Capital Redemption Reserve RMB'000	Exchange Reserve RMB'000	Retained Earnings RMB'000	Subtotal RMB'000	Minority Interests RMB'000	Total RMB'000
For the year ended 31 December 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 year	—	—	—	—	—	—	2,533,499	2,533,499	(3,808)	2,529,691
Other comprehensive income:										
Exchange differences	—	—	—	—	—	5,150	—	5,150	—	5,150
Total comprehensive income for the year	—	—	—	—	—	5,150	2,533,499	2,538,649	(3,808)	2,534,841
Disposal of subsidiaries *(Note 35)*	—	—	—	—	—	520	—	520	(54,139)	(53,619)
Others	—	—	—	—	—	—	—	—	824	824
Transfer to reserves	—	—	—	370,589	—	—	(370,589)	—	—	—
Dividends	—	—	—	—	—	—	(590,396)	(590,396)	—	(590,396)
	—	—	—	370,589	—	520	(960,985)	(589,876)	(53,315)	(643,191)
As at 31 December 2009	83,056	9,214,078	3,531	407,895	70	(20,198)	5,634,569	15,323,001	—	15,323,001

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Capital and reserves attributable to equity holders of the Company									
	Share Capital *RMB'000* *(Note 32)*	Share Premium *RMB'000*	Merger Reserve *RMB'000*	Statutory Reserves *RMB'000*	Capital Redemption Reserve *RMB'000*	Exchange Reserve *RMB'000*	Retained Earnings *RMB'000*	Subtotal *RMB'000*	Minority Interests *RMB'000*	Total *RMB'000*
For the year ended 31 December 2008										
As at 1 January 2008	83,126	9,249,510	3,531	37,306	—	(420)	2,600,377	11,973,430	62,931	12,036,361
Profit/(loss) for the year	—	—	—	—	—	—	2,010,435	2,010,435	(7,398)	2,003,037
Other comprehensive income:										
Exchange differences	—	—	—	—	—	(25,448)	—	(25,448)	—	(25,448)
Total comprehensive income for the year	—	—	—	—	—	(25,448)	2,010,435	1,984,987	(7,398)	1,977,589
Acquisition of a subsidiary *(Note 36)*	—	—	—	—	—	—	—	—	1,590	1,590
Repurchase of shares	(70)	(35,432)	—	—	70	—	(70)	(35,502)	—	(35,502)
Dividends	—	—	—	—	—	—	(548,687)	(548,687)	—	(548,687)
	(70)	(35,432)	—	—	70	—	(548,757)	(584,189)	1,590	(582,599)
As at 31 December 2008	83,056	9,214,078	3,531	37,306	70	(25,868)	4,062,055	13,374,228	57,123	13,431,351

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	Year ended 31 December 2009 RMB'000	2008 RMB'000
Cash flows from operating activities			
Net cash generated from operations	34(a)	**3,237,043**	2,461,181
PRC income tax paid		**(426,559)**	(97,531)
Hong Kong profits tax paid		**(3,122)**	(2,272)
Macau income tax paid		**(2,264)**	(832)
Net cash generated from operating activities		**2,805,098**	2,360,546
Cash flows from investing activities			
Purchase of property, plant and equipment		**(533,785)**	(1,077,011)
Payments and deposits for purchase of intangible assets and leasehold land and land use rights		**(275,600)**	(371,906)
Proceeds from sale of buildings, leasehold land and land use rights	34(b)	**335,201**	—
Proceeds from sale of non-current assets held for sale	34(b)	**98,343**	—
Proceeds from sale of other property, plant and equipment	34(b)	**8,823**	7,080
Proceeds from disposal of subsidiaries, net of cash disposed	35	**279,874**	—
Acquisition of subsidiaries and businesses, net of cash acquired	36	**—**	(2,868,436)
Purchase of available-for-sale financial assets		**—**	(1,000,000)
Proceeds from sale of available-for-sale financial assets		**—**	1,027,547
Placement of structured bank deposits		**(5,780,200)**	(769,657)
Uplift of structured bank deposits		**4,235,200**	529,657
New term deposits with initial terms of over three months		**(1,893,791)**	(400,966)
Net cash used in investing activities		**(3,525,935)**	(4,923,692)
Cash flows from financing activities			
Dividends paid		**(590,396)**	(548,687)
Interest received		**108,074**	55,509
Interest paid		**(65,824)**	(29,736)
Proceeds from borrowings		**176,316**	3,195,505
Repayments of borrowings		**(658,345)**	(2,882,882)
Redemption of shares		**—**	(35,502)
Issue of bills of exchange		**7,316,177**	—
Repayments of bills of exchange		**(6,200,924)**	—
Net cash generated from / (used in) financing activities		**85,078**	(245,793)
Net decrease in cash and cash equivalents		**(635,759)**	(2,808,939)
Cash and cash equivalents at beginning of year		**2,326,596**	5,213,167
Effect on foreign exchange		**(289)**	(77,632)
Cash and cash equivalents at end of year		**1,690,548**	2,326,596

The notes on pages 53 to 116 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Organization and principal activities

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

The Company was incorporated in the Cayman Islands on 19 May 2004 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 24 March 2010.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

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

The following new standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2009. The adoption of these new standard and amendments to standards does not have any significant impact to the results and financial position of the Group.

IAS 1 (revised) "Presentation of financial statements" - The revised standard requires "non-owner changes in equity" to be presented separately from owner changes in equity. As a result the Group presents all owner changes in equity in the consolidated statement of changes in equity , whereas all "non-owner changes in equity" are presented 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. These consolidated financial statements have been prepared under the revised disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

IFRS 8 "Operating segments" - IFRS 8 replaces IAS 14 "Segment reporting". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. 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". Comparative information has been reclassified to conform to the current year's presentation.

IFRS 7 "Financial Instruments - Disclosures" (amendment) - The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

The following amendments to standards and interpretations are also mandatory for accounting periods beginning on or after 1 January 2009:

IFRSs (amendment)	Improvements to IFRSs 2008 (1)
IFRS 1 and IAS 27 (amendments)	Cost of an investment in a subsidiary, jointly controlled entity
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
IFRIC Int 18	Transfers of assets from customers (2)

(1) Effective for the Group for annual period beginning 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 1 January 2010.

(2) Effective for transfer of assets received on or after 1 July 2009.

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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

IFRSs (amendment)	Improvements to IFRSs 2009 (1)
IFRS 1 (revised)	First-time adoption of IFRSs (1)
IFRS 1 (amendment)	Additional exemptions for first-time adopters (1)
IFRS 2 (amendment)	Group cash-settled share-based payment transactions (1)
IFRS 3 (revised)	Business combinations (1)
IFRS 9	Financial instruments (3)
IAS 24 (revised)	Related party disclosures (2)
IAS 27 (revised)	Consolidated and separate financial statements (1)
IAS 32 (amendment)	Classification of right issues (2)
IAS 39 (amendment)	Eligible hedged items (1)
IFRIC Int 14 (amendment)	Prepayments of a minimum funding requirement (2)
IFRIC Int 17	Distributions of non-cash assets to owners (1)
IFRIC Int 19	Extinguishing financial liabilities with equity instruments (1)

(1) Effective for the Group for annual period beginning on 1 January 2010
(2) Effective for the Group for annual period beginning on 1 January 2011
(3) Effective for the Group for annual period beginning on 1 January 2013

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 standard, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

(b) Transactions with minority interests

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

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale.

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

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.5 Property, plant and equipment

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.6 Construction-in-progress

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

2.7 Leasehold land and land use rights

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

2.8 Investment properties

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.9 Intangible assets

(a) Goodwill

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

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

(b) Acquired distribution contracts

Distribution contracts acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution contracts over their estimated useful lives of 1 to 13 years.

(c) Acquired trademarks and patents

Separately acquired trademarks and patents are carried at cost less accumulated amortization and accumulated impairment losses, if any. Trademarks and patents acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses, if any. Amortization of trademarks and patents that have definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademarks and patents over their estimated useful lives of 10 to 40 years.

(d) Computer software

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

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

2 Summary of significant accounting policies (continued)

2.10 Impairment of investments in subsidiaries and non-financial assets

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

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

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs of sell if their carrying amount is to be recovered principally through a sales transaction rather than through continuing use.

2.12 Inventories

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

2 Summary of significant accounting policies (continued)

2.13 Receivables

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

2.14 Financial assets

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables include trade receivables, structured bank deposits, term deposits, cash and cash equivalents (see Notes 23 to 26) and other receivables in the consolidated balance sheet.

(c) Available-for-sale financial assets

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

During the year, the Group did not hold any significant financial assets at fair value through profit or loss and available-for-sale financial assets.

2 Summary of significant accounting policies (continued)

2.15 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the income statement.

2.16 Cash and cash equivalents

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

2.17 Financial liabilities and equity

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

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

2 Summary of significant accounting policies (continued)

2.18 Borrowings and borrowing costs

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

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

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

2.19 Current and deferred income tax

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

2.20 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

2.21 Provisions

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

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

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

2.22 Operating leases (as a leasee)

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

2 Summary of significant accounting policies (continued)

2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.24 Financial guarantee contract liabilities

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

2.25 Revenue and income recognition

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

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

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

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

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

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

2.26 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

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

(a) Foreign exchange risk

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

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK$ and US$ to mitigate the impact on exchange rate fluctuations. During the year ended 31 December 2009, no forward foreign exchange contracts had been entered into by the Group.

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

At 31 December 2009, if HK$ and US$ had weakened/strengthened by 5% against RMB, with all other variables held constant, profit for the year would have been approximately RMB31,005,000 lower/higher (2008: RMB18,595,000 higher/lower).

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash at bank and certain structured bank deposits and term deposits, details of which have been disclosed in Notes 24 to 26. The Group's exposure to changes in interest rates is also attributable to its borrowings and bills payable, details of which have been disclosed in Notes 31 and 29. Borrowings carry at floating rates expose the Group to cash flow interest-rate risk whereas those carry at fixed rates expose the Group to fair value interest-rate risk. The Group's bills payable were carried at fixed rates and exposed the Group to fair value interest rate risk. The Group's borrowings were carried at floating rates and expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to cash flow interest rate risks as management considers that the Group's borrowings are relatively insignificant to the Group. They were also fully settled during the year. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk

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

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

The Group also makes deposits (current and non-current) for rental of certain of its retail outlets with the relevant landlords. Management does not expect any loss arising from non-performance by these counterparties.

As at 31 December 2009 and 2008, substantially all the bank balances, structured and term deposits with banks as detailed in Notes 24 to 26 are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

(d) Liquidity risk

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

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

	Group			
	Within 1 year	**Between 1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2009				
Trade payables	**718,061**	**—**	**—**	**718,061**
Bills payable	**1,115,253**	**—**	**—**	**1,115,253**
Other payables, accruals and other current liabilities	**763,839**	**—**	**—**	**763,839**
	2,597,153	**—**	**—**	**2,597,153**

	Within 1 year	Between 1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2008				
Trade payables	1,459,169	—	—	1,459,169
Other payables, accruals and other current liabilities	782,170	—	—	782,170
Other non-current liabilities	—	20,057	99,054	119,111
Borrowings	507,341	—	—	507,341
	2,748,680	20,057	99,054	2,867,791

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

3 Financial risk management (continued)

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

As at 31 December 2009, the Group and the Company did not have any financial assets or financial liabilities in the balance sheet which is measured at fair value.

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

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

3.3 Capital risk management

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

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

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

3 Financial risk management (continued)

3.3 Capital risk management

The table below analyzes the Group's capital structure as at 31 December 2009 and 2008:

	2009	2008
	RMB'000	*RMB'000*
Total bills payable and borrowings	**1,115,253**	503,448
Less: Structured bank deposits, term deposits with initial terms of over three months and cash and cash equivalents	**(5,792,371)**	(2,984,605)
Net cash	**(4,677,118)**	(2,481,157)
Total equity	**15,323,001**	13,431,351
Total capital	**10,645,883**	10,950,194
Gearing ratio	**(0.44)**	(0.23)

There is an increase in the Group's net cash as at 31 December 2009 mainly a result of increase in cash inflow from operating activities, proceeds received from sales of buildings, leasehold land and land use rights and net proceeds received from disposal of subsidiaries. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

4 Critical accounting estimates and judgments

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

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

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

4 Critical accounting estimates and judgments (continued)

(b) Impairment of non-financial assets

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

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

(c) Net realizable value of inventories

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

(d) Trade and other receivables

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

(e) Current and deferred income tax

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

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

5 Segment information

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

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.

Revenue from external customers are after elimination of inter-segment revenue. 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 consolidated income statement.

Assets of reportable segments exclude deferred tax assets, investment properties, non-current assets held for sale and corporate assets (including certain corporate cash and bank balances, term deposits and structured bank deposits), all of which are managed on a central basis. Liabilities of reportable segments exclude current and deferred income tax liabilities, bills payable and corporate liabilities. These are part of the reconciliation to total balance sheet assets and liabilities.

5 Segment information (continued)

	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
	Year ended 31 December 2009					
Revenue						
Sales of goods	11,735,239	7,980,275	(2,025)	19,713,489	—	19,713,489
Commissions from concessionaire sales	—	48,145	—	48,145	—	48,145
	11,735,239	8,028,420	(2,025)	19,761,634	—	19,761,634
Results of reportable segments	2,508,011	439,143	—	2,947,154	—	2,947,154

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	2,947,154
Amortization of intangible assets	(101,447)
Unallocated income	3,866
Unallocated expenses	(25,408)
Operating profit	2,824,165
Finance income	113,097
Finance costs	(77,643)
Profit before income tax	2,859,619
Income tax expense	(329,928)
Profit for the year	2,529,691

	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
Other segment information						
Depreciation on property, plant and equipment	295,605	192,222	—	487,827	7,355	495,182
Amortization of leasehold land and land use rights	16,689	5,585	—	22,274	10,556	32,830
Amortization of intangible assets	52,659	48,788	—	101,447	—	101,447
Depreciation on investment properties	—	—	—	—	836	836
Write-down of non-current assets held for sale to fair value less costs to sell	78,539	—	—	78,539	—	78,539
Write-off of other property, plant and equipment	5,475	—	—	5,475	—	5,475
Impairment losses on inventories	44,732	—	—	44,732	—	44,732
Impairment losses on trade receivables	888	60	—	948	—	948
Additions to non-current assets	432,449	158,432	—	590,881	218,504	809,385

5 Segment information (continued)

	As at 31 December 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	5,407,491	6,251,662	(2,140,746)	9,518,407	—	9,518,407
Goodwill	1,651,893	485,261	—	2,137,154	—	2,137,154
Other intangible assets	617,346	39,774	—	657,120	—	657,120
	7,676,730	6,776,697	(2,140,746)	12,312,681	—	12,312,681
Investment properties					12,393	12,393
Non-current assets held for sale					613,805	613,805
Terms deposits with initial terms of over three months					2,312,247	2,312,247
Structured bank deposits					1,789,576	1,789,576
Deferred income tax assets					94,185	94,185
Other unallocated assets					1,489,844	1,489,844
Total assets per consolidated balance sheet						18,624,731
Segment liabilities	3,162,348	651,135	(2,140,746)	1,672,737	—	1,672,737
Bills payable					1,115,253	1,115,253
Current income tax liabilities					262,561	262,561
Deferred income tax liabilities					229,360	229,360
Other unallocated liabilities					21,819	21,819
Total liabilities per consolidated balance sheet						3,301,730

5 Segment information (continued)

	Year ended 31 December 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	9,669,208	8,177,467	(5,522)	17,841,153	—	17,841,153
Commissions from concessionaire sales	—	14,632	—	14,632	—	14,632
	9,669,208	8,192,099	(5,522)	17,855,785	—	17,855,785
Results of reportable segments	2,008,015	378,372	—	2,386,387	—	2,386,387

A reconciliation of results of reportable segments to profit for the year is as follows:

Results of reportable segments	2,386,387
Amortization of intangible assets	(110,608)
Unallocated income	75,324
Unallocated expenses	(71,800)
Operating profit	2,279,303
Finance income	72,552
Finance costs	(91,260)
Profit before income tax	2,260,595
Income tax expense	(257,558)
Profit for the year	2,003,037

	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*
Other segment information						
Depreciation on property, plant and equipment	249,056	258,503	—	507,559	2,314	509,873
Amortization of leasehold land and land use rights	17,685	5,439	—	23,124	5,645	28,769
Amortization of intangible assets	59,466	51,142	—	110,608	—	110,608
Depreciation on investment properties	—	—	—	—	979	979
Impairment losses on inventories	36,117	4,277	—	40,394	—	40,394
Impairment losses on trade receivables	1,195	7	—	1,202	—	1,202
Additions to non-current assets	755,312	418,907	—	1,174,219	274,698	1,448,917

5 Segment information (continued)

	As at 31 December 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*
Segment assets	7,727,877	6,616,047	(2,504,450)	11,839,474	—	11,839,474
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
	10,044,635	7,659,560	(2,504,450)	15,199,745	—	15,199,745
Investment properties					22,458	22,458
Terms deposits with initial terms of over three months					408,676	408,676
Structured bank deposits					249,333	249,333
Deferred income tax assets					78,707	78,707
Other unallocated assets					1,063,640	1,063,640
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
Current income tax liabilities					302,356	302,356
Deferred income tax liabilities					296,313	296,313
Other unallocated liabilities					499,328	499,328
Total liabilities per consolidated balance sheet						3,591,208

5 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:

	Year ended 31 December 2009 *RMB'000*	2008 *RMB'000*
Revenue		
The PRC	**18,543,768**	16,960,702
Hong Kong and Macau	**1,006,316**	738,459
Other locations	**211,550**	156,624
	19,761,634	17,855,785

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 31 December 2009				As at 31 December 2008			
	The PRC *RMB'000*	**Hong Kong and Macau** *RMB'000*	**Other locations** *RMB'000*	**Total** *RMB'000*	The PRC *RMB'000*	Hong Kong and Macau *RMB'000*	Other locations *RMB'000*	Total *RMB'000*
Non-current assets								
Property, plant and equipment	**1,734,828**	**106,341**	**239**	**1,841,408**	2,084,908	140,470	385	2,225,763
Leasehold land and land use rights	**526,684**	**212,608**	**—**	**739,292**	1,049,873	387,251	—	1,437,124
Investment properties	**12,393**	**—**	**—**	**12,393**	13,104	9,354	—	22,458
Intangible assets	**2,721,211**	**73,063**	**—**	**2,794,274**	3,282,773	76,493	1,005	3,360,271
Long-term deposits, prepayments and other non-current assets	**410,955**	**40,739**	**—**	**451,694**	184,031	56,946	—	240,977
	5,406,071	**432,751**	**239**	**5,839,061**	6,614,689	670,514	1,390	7,286,593

6 Other income

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Rental income	**2,507**	3,315
Government subsidies	**12,348**	11,638
Others	**—**	3,278
	14,855	18,231

7 Other (losses)/gains

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Gains on disposal of buildings, leasehold land and land use rights	**48,618**	—
Gain on disposal of non-current assets held for sale	**3,866**	—
Write-down of non-current assets held for sale to fair value less costs to sell *(Note 27)*	**(78,539)**	—
Gain on disposal of subsidiaries *(Note 35)*	**16,487**	—
Derivative financial instruments - forward foreign exchange contracts	**—**	38,069
Fair value gain on financial assets at fair value through profit or loss	**—**	3,115
Gain on available-for-sale financial assets	**—**	27,547
	(9,568)	68,731

8 Operating profit

Operating profit is stated after charging the following:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Costs of inventories recognized as expenses included in cost of sales	**9,172,414**	8,589,785
Depreciation on property, plant and equipment *(Note 16)*	**495,182**	509,873
Depreciation on investment properties *(Note 18)*	**836**	979
Amortization of intangible assets *(Note 19)*	**101,447**	110,608
Amortization of leasehold land and land use rights *(Note 17)*	**32,830**	28,769
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**4,285,531**	3,701,092
Staff costs (including directors' emoluments) *(Note 14)*	**2,383,503**	2,118,008
Loss on disposal of other property, plant and equipment *(Note 34(b))*	**3,588**	10,227
Write-off of property, plant and equipment *(Note 16)*	**5,475**	—
Impairment losses on inventories	**44,732**	40,394
Impairment losses on trade receivables	**948**	1,202
Auditor's remuneration	**8,371**	9,420

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

9 Finance income/(costs), net

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Interest income on bank deposits	**79,433**	45,457
Interest income from structured bank deposits	**33,664**	27,095
	113,097	72,552
Interest expense on short-term bank borrowings and bills payable – wholly repayable within 5 years	**(65,824)**	(29,736)
Net foreign exchange losses	**(11,819)**	(61,524)
	(77,643)	(91,260)
Finance income/ (costs), net	**35,454**	(18,708)

10 Income tax expense

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**363,614**	303,446
– Hong Kong profits tax	**2,791**	1,404
– Macau income tax	**1,586**	1,533
Under/ (over)-provision in prior years		
– PRC corporate income tax	**24,902**	(2,423)
– Hong Kong profits tax	**(113)**	(775)
– Macau income tax	**—**	(311)
Deferred income tax *(Note 21)*	**(62,852)**	(45,316)
	329,928	257,558

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group, as being wholly foreign-owned enterprises in Shenzhen, the PRC. Certain subsidiaries established in the PRC are also entitled to a two-year exemption from income taxes followed by a 50% reduction in income taxes for the ensuing three years. These companies have either been exempted from corporate income tax for the year or subject to reduced tax rates ranging from 10% to 20% during the year. 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 year.

10 Income tax expense (continued)

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit before income tax	**2,859,619**	2,260,595
Tax calculated at the domestic tax rate of respective companies	**599,106**	409,969
Effect of tax holidays of PRC subsidiaries	**(342,206)**	(215,666)
Non-taxable income	**(15,294)**	(22,432)
Expenses not deductible for tax purposes	**21,171**	43,257
Tax losses for which no deferred income tax asset was recognized	**32,550**	37,543
Utilization of previously unrecognized tax losses	**(5,800)**	(2,004)
Under/(over)-provision in prior years	**24,789**	(3,509)
Others	**15,612**	10,400
	329,928	257,558

The weighted average applicable tax rate for the year ended 31 December 2009 is 21.0% (2008: 18.1%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in applicable tax rate of certain PRC subsidiaries and the change in the relative profitability of the companies within the Group.

11 Profit attributable to shareholders

The profit attributable to equity holders of the Company for the year ended 31 December 2009 is dealt with in the financial statements of the Company to the extent of RMB974,179,000 (2008: RMB1,044,836,000).

12 Earnings per share

Basic

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

	Year ended 31 December	
	2009	2008
Profit attributable to equity holders of the Company (RMB'000)	**2,533,499**	2,010,435
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of shares)	**8,434,233**	8,439,180
Basic earnings per share (RMB cents per share)	**30.04**	23.82

Diluted

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

13 Dividends

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Interim, paid, of RMB 3.5 cents per ordinary share (2008: RMB 3 cents) *(note (a))*	**295,198**	253,240
Final, proposed, of RMB 4.0 cents per ordinary share (2008: RMB 3.5 cents) *(note (b))*	**337,369**	295,198
	632,567	548,438

Note:

(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 ended 31 December 2009. The amount was paid during the year.

(b) At a meeting held on 24 March 2010, the directors recommended the payment of a final dividend for the year ended 31 December 2009 of RMB4.0 cents per ordinary share (2008: RMB3.5 cents), totaling RMB337,369,000 (2008: RMB295,198,000). This proposed dividend is not reflected as dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2010.

14 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**2,031,760**	1,821,353
Pensions costs - defined contribution plan *(note)*	**293,964**	257,017
Welfare and other expenses	**57,779**	39,638
	2,383,503	2,118,008

Note:

The PRC

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

Hong Kong

The Group has a defined contribution pension scheme, the Mandatory Provident Fund Scheme (the "MPF Scheme"), for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group under independently administered funds.

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

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

15 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

	Year ended 31 December 2009				
	Fees	Basic salaries, housing allowance, other allowances and benefits in kind	Bonuses	Employer's contributions to retirement schemes	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Tang Yiu	—	4,230	3,524	—	7,754
Sheng Baijiao	—	3,397	4,147	20	7,564
Yu Mingfang	—	2,145	1,892	35	4,072
Tang King Loy[(1)]	—	764	1,322	7	2,093
Tang Ming Wai[(2)]	—	267	—	4	271
Non-executive directors:					
Gao Yu	—	—	—	—	—
Hu Xiaoling	—	—	—	—	—
Independent non-executive directors:					
Chan Yu Ling, Abraham	150	—	—	—	150
Ho Kwok Wah, George	150	—	—	—	150
Xue Qiuzhi	150	—	—	—	150
	450	10,803	10,885	66	22,204

(1) appointed on 15 May 2009

(2) resigned on 15 May 2009

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

(a) Directors' emoluments (continued)

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

[1] resigned on 15 May 2009

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

(b) Five highest paid individuals

The five highest paid individuals included 3 (2008: 3) directors, whose emoluments are included in the above disclosure. The emoluments of the remaining 2 (2008: 2) individuals during the year are as follows:

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**5,775**	5,800
Pensions costs - defined contribution plans	**42**	42
	5,817	5,842

	Number of individuals For the year ended 31 December	
	2009	2008
HK$3,000,001 (equivalent to RMB2,644,000) to HK$3,500,000 (equivalent to RMB3,084,000)	**2**	2

(c) During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2008: Nil).

16 Property, plant and equipment

	Buildings RMB'000	Leasehold improve - ments RMB'000	Plant and equipment RMB'000	Furniture and fixtures and other equipment RMB'000	Motor vehicles RMB'000	Construc- tion in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2008	342,532	752,447	177,674	126,984	55,388	237,540	1,692,565
Acquisition of subsidiaries and businesses *(Note 36)*	465,423	14,769	58,595	25,886	1,759	—	566,432
Additions	106,343	583,621	66,270	89,906	17,859	213,012	1,077,011
Reclassified from investment properties	822	—	—	—	—	—	822
Transfer upon completion	377,661	—	71,360	—	—	(449,021)	—
Disposals	—	(32,638)	(16,430)	(15,904)	(2,433)	—	(67,405)
Written-off	—	(130,899)	—	—	—	—	(130,899)
Exchange differences	(3,466)	(2,665)	(377)	(704)	(111)	—	(7,323)
As at 31 December 2008	1,289,315	1,184,635	357,092	226,168	72,462	1,531	3,131,203
Additions	**4,058**	**370,699**	**6,327**	**32,364**	**9,974**	**110,363**	**533,785**
Transfer upon completion	**81,977**	**—**	**—**	**—**	**—**	**(81,977)**	**—**
Transfer to non-current assets held for sale *(Note 27)*	**(246,800)**	**—**	**—**	**—**	**—**	**—**	**(246,800)**
Disposal of subsidiaries *(Note 35)*	**—**	**(5,005)**	**(772)**	**(2,051)**	**(372)**	**—**	**(8,200)**
Disposals	**(222,736)**	**—**	**(2,805)**	**(17,193)**	**(2,904)**	**—**	**(245,638)**
Written-off	**—**	**(276,654)**	**—**	**(1,769)**	**(1,623)**	**—**	**(280,046)**
Exchange differences	**(153)**	**(207)**	**(57)**	**(342)**	**(8)**	**—**	**(767)**
As at 31 December 2009	**905,661**	**1,273,468**	**359,785**	**237,177**	**77,529**	**29,917**	**2,883,537**
Accumulated depreciation and impairment							
As at 1 January 2008	27,435	461,150	41,074	33,752	15,842	—	579,253
Charge for the year	42,850	367,831	42,536	46,342	10,314	—	509,873
Reclassified from investment properties	433	—	—	—	—	—	433
Disposals	—	(26,629)	(13,902)	(7,818)	(1,749)	—	(50,098)
Written-off	—	(130,899)	—	—	—	—	(130,899)
Exchange differences	(277)	(1,885)	(254)	(632)	(74)	—	(3,122)
As at 31 December 2008	70,441	669,568	69,454	71,644	24,333	—	905,440
Charge for the year	**85,695**	**316,350**	**29,702**	**50,816**	**12,619**	**—**	**495,182**
Transfer to non-current assets held for sale *(Note 27)*	**(62,210)**	**—**	**—**	**—**	**—**	**—**	**(62,210)**
Disposal of subsidiaries *(Note 35)*	**—**	**(1,899)**	**(272)**	**(1,154)**	**(39)**	**—**	**(3,364)**
Disposals	**(7,570)**	**—**	**(1,827)**	**(8,626)**	**(38)**	**—**	**(18,061)**
Written-off	**—**	**(272,318)**	**—**	**(630)**	**(1,623)**	**—**	**(274,571)**
Exchange differences	**(15)**	**(69)**	**(30)**	**(168)**	**(5)**	**—**	**(287)**
As at 31 December 2009	**86,341**	**711,632**	**97,027**	**111,882**	**35,247**	**—**	**1,042,129**
Net book value							
As at 31 December 2009	**819,320**	**561,836**	**262,758**	**125,295**	**42,282**	**29,917**	**1,841,408**
As at 31 December 2008	1,218,874	515,067	287,638	154,524	48,129	1,531	2,225,763

16 Property, plant and equipment (continued)

Net book value of buildings are analyzed as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
In Hong Kong held on:		
- Leases of between 10 to 50 years	**43,017**	74,706
Outside Hong Kong, held on:		
- Leases of between 10 to 50 years	**776,303**	1,130,815
- Leases of over 50 years	**—**	13,353
	776,303	1,144,168
	819,320	1,218,874

17 Leasehold land and land use rights

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Cost		
As at 1 January	**1,498,750**	582,912
Acquisition of subsidiaries and businesses	**—**	566,771
Additions	**—**	363,827
Transfer to non-current assets held for sale *(Note 27)*	**(623,992)**	—
Disposal	**(72,088)**	—
Exchange differences	**(588)**	(14,760)
As at 31 December	**802,082**	1,498,750
Accumulated amortization and impairment		
As at 1 January	**61,626**	33,209
Amortization for the year	**32,830**	28,769
Transfer to non-current assets held for sale *(Note 27)*	**(30,975)**	—
Disposal	**(671)**	—
Exchange differences	**(20)**	(352)
As at 31 December	**62,790**	61,626
Net book amount as at 31 December	**739,292**	1,437,124

17 Leasehold land and land use rights (continued)

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
In Hong Kong held on:		
- Leases of between 10 to 50 years	**212,608**	387,251
Outside Hong Kong, held on:		
- Leases of between 10 to 50 years	**526,684**	1,009,357
- Leases of over 50 years	**—**	40,516
	526,684	1,049,873
	739,292	1,437,124

18 Investment properties

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Cost		
As at 1 January	**24,235**	25,656
Reclassified to property, plant and equipment	**—**	(822)
Transfer to non-current assets held for sale *(Note 27)*	**(9,988)**	—
Exchange differences	**(16)**	(599)
As at 31 December	**14,231**	24,235
Accumulated depreciation		
As at 1 January	**1,777**	1,274
Charge for the year	**836**	979
Reclassified to property, plant and equipment	**—**	(433)
Transfer to non-current assets held for sale *(Note 27)*	**(774)**	—
Exchange differences	**(1)**	(43)
As at 31 December	**1,838**	1,777
Net book value as at 31 December	**12,393**	22,458
At directors' valuation *(note)*	**14,231**	24,300

Note:

The valuations for the investment properties as at 31 December 2009 and 2008 were determined by the directors of the Group on an open market value basis.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
In Hong Kong held on:		
- Leases of between 10 to 50 years	**—**	9,354
Outside Hong Kong, held on:		
- Leases of between 10 to 50 years	**12,393**	13,104
	12,393	22,458

19 Intangible assets

	Goodwill RMB'000	Distribution contracts RMB'000	Trademarks RMB'000	Computer software RMB'000	Total RMB'000
Cost					
As at 1 January 2008	509,516	175,000	489,938	8,967	1,183,421
Arising from acquisition of subsidiaries and businesses *(Note 36)*	1,651,893	174,635	521,812	461	2,348,801
Additions	—	—	1,158	6,921	8,079
Written-off	(3,589)	—	—	—	(3,589)
Exchange differences	—	—	(242)	(5)	(247)
As at 31 December 2008	2,157,820	349,635	1,012,666	16,344	3,536,465
Disposal of subsidiaries *(Note 35)*	**(20,666)**	**—**	**(474,174)**	**—**	**(494,840)**
Additions	**—**	**—**	**552**	**5,048**	**5,600**
Written-off	**—**	**—**	**—**	**(456)**	**(456)**
Exchange differences	**—**	**—**	**(22)**	**—**	**(22)**
As at 31 December 2009	**2,137,154**	**349,635**	**539,022**	**20,936**	**3,046,747**
Accumulated amortization and impairment					
As at 1 January 2008	3,589	58,333	6,732	665	69,319
Amortization for the year	—	64,229	42,316	4,063	110,608
Written-off	(3,589)	—	—	—	(3,589)
Exchange differences	—	—	(136)	(8)	(144)
As at 31 December 2008	—	122,562	48,912	4,720	176,194
Disposal of subsidiaries *(Note 35)*	**—**	**—**	**(24,697)**	**—**	**(24,697)**
Amortization for the year	**—**	**60,515**	**34,940**	**5,992**	**101,447**
Written-off	**—**	**—**	**—**	**(456)**	**(456)**
Exchange differences	**—**	**—**	**(15)**	**—**	**(15)**
As at 31 December 2009	**—**	**183,077**	**59,140**	**10,256**	**252,473**
Net book value					
As at 31 December 2009	**2,137,154**	**166,558**	**479,882**	**10,680**	**2,794,274**
As at 31 December 2008	2,157,820	227,073	963,754	11,624	3,360,271

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segments.

19 Intangible assets (continued)

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

	Shoes and footwear products	Sportswear products	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2009			
The PRC	**1,580,136**	**485,261**	**2,065,397**
Hong Kong	**71,757**	**—**	**71,757**
	1,651,893	**485,261**	**2,137,154**
As at 31 December 2008			
The PRC	1,580,136	505,927	2,086,063
Hong Kong	71,757	—	71,757
	1,651,893	505,927	2,157,820

Hong Kong shoes and footwear products did not classified as a separate reportable segment.

For the purposes of impairment reviews, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated annual growth rates ranging from 0% to 3%. The growth rate used is largely consistent and do not exceed the industry growth forecast.

Key assumptions used for value-in-use calculations:

	Shoes and footwear products		Sportswear products
	The PRC	**Hong Kong**	**The PRC**
Gross margin	**55% to 64%**	**64% to 69%**	**35%**
Annual growth rate of approved financial budgets	**15% to 39%**	**6% to 17%**	**13% to 18%**
Terminal growth rate	**3%**	**0%**	**3%**
Discount rate	**14%**	**14%**	**14%**

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

20 Interests in subsidiaries

	Company As at 31 December 2009 RMB'000	2008 RMB'000
Unlisted equity investments, at cost	**3,649,921**	3,957,309
Loans to subsidiaries *(note (a))*	**5,464,777**	5,585,773
	9,114,698	9,543,082
Amounts due from subsidiaries *(note (b))*	**1,920,781**	1,420,127
Amounts due to subsidiaries *(note (b))*	**189,593**	498,997

Note:

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

(b) Amounts due from/to subsidiaries are unsecured, non-interest bearing and repayable on demand. The carrying amounts of these balances are mainly denominated in RMB and approximate their fair values due to their short maturities.

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

21 Deferred income taxes

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

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	As at 31 December 2009 RMB'000	2008 RMB'000
Net deferred income tax assets recognized on the balance sheet	**94,185**	78,707
Net deferred income tax liabilities recognized on the balance sheet	**(229,360)**	(296,313)
	(135,175)	(217,606)

21 Deferred income taxes (continued)

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

	Accelerated tax depreciation	Unrealized profit on closing inventories	Deferred income tax liabilities arising from recognition of distribution contract	Deferred income tax liabilities arising from recognition of trademarks	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	411	36,201	(31,828)	(20,494)	—	881	(14,829)
Acquisition of subsidiaries	(112,550)	—	(20,399)	(120,469)	—	5,374	(248,044)
Credited/(charged) to the income statement *(Note 10)*	3,479	14,257	15,369	5,185	23,683	(16,657)	45,316
Exchange differences	(45)	(11)	—	—	—	7	(49)
At 31 December 2008	(108,705)	50,447	(36,858)	(135,778)	23,683	(10,395)	(217,606)
Disposal of subsidiaries *(Note 35)*	**—**	**—**	**—**	**19,590**	**—**	**—**	**19,590**
Credited/(charged) to the income statement *(Note 10)*	**42,986**	**22,589**	**15,511**	**3,017**	**(5,592)**	**(15,659)**	**62,852**
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(11)**	**(11)**
At 31 December 2009	**(65,719)**	**73,036**	**(21,347)**	**(113,171)**	**18,091**	**(26,065)**	**(135,175)**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. At 31 December 2009, the Group had unrecognized tax losses to be carried forward against future taxable income amounted to RMB403,207,000 (2008: RMB362,915,000).

The expiry of unrecognized tax losses are as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Tax losses without expiry date	**132,081**	112,865
Tax losses expiring after five years	**109,013**	119,523
Tax losses expiring in five years	**162,113**	130,527
	403,207	362,915

As at 31 December 2009, the potential deferred income tax assets in respect of the above tax losses which have not been recognized amounted to RMB98,893,000 (2008: RMB89,936,000).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB255 million (2008: RMB116 million) have not been provided for in these consolidated financial statements in respect of temporary differences attrbutable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

22 Inventories

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Raw materials	**191,533**	248,821
Work in progress	**59,686**	52,552
Finished goods	**3,714,622**	3,939,597
Consumerables	**11,396**	14,832
	3,977,237	4,255,802
Less: provision for impairment losses	**(61,336)**	(26,838)
	3,915,901	4,228,964

23 Trade receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 31 December 2009, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0 to 30 days	**1,680,671**	1,643,039
31 to 60 days	**25,996**	73,989
61 to 90 days	**37,151**	38,508
Over 90 days	**16,694**	109,325
	1,760,512	1,864,861

The carrying amounts of trade receivables approximate their fair values.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
RMB	**1,730,433**	1,837,966
HK$	**23,209**	21,074
Other currencies	**6,870**	5,821
	1,760,512	1,864,861

23 Trade receivables (continued)

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

As at 31 December 2009, trade receivables of RMB52,296,000 (2008: RMB147,833,000) were past due but for which no impairment loss has been provided for by the Group. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
61 to 90 days	**36,722**	38,508
91 to 150 days	**15,574**	95,850
Over 150 days	**—**	13,475
	52,296	147,833

During the year ended 31 December 2009, trade receivables of RMB948,000 (2008: RMB1,202,000) were impaired and written off. No trade receivables are considered to be impaired as at 31 December 2008 and 2009.

24 Structured bank deposits

The weighted average effective interest rate of the Group's structured bank deposits as at 31 December 2009 was 2.86% (2008: 6.00%). The balance was denominated in RMB.

25 Term deposits with initial terms of over three months

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2009 was 2.07% (2008: 4.03%). The balance was denominated in RMB.

As at 31 December 2009, the Group's term deposits with initial term of over three months of RMB660,000,000 (2008: Nil) were pledged as securities for the Group's bills payable to the extent of RMB660,000,000 (2008: Nil).

26 Cash and cash equivalents

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**656,521**	2,270,732	**6,723**	778
Term deposits with initial terms of less than three months	**1,034,027**	55,864	**—**	—
	1,690,548	2,326,596	**6,723**	778
Denominated in				
RMB	**1,096,681**	2,145,772	**—**	—
HK$	**569,926**	145,463	**6,723**	778
Other currencies	**23,941**	35,361	**—**	—
	1,690,548	2,326,596	**6,723**	778

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 31 December 2009 was 0.89% (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.

27 Non-current assets held for sale

Non-current assets held for sale represent certain non-core assets of the group located in both Hong Kong and the PRC (including certain properties and a manufacturing plant) that management intends to dispose of within twelve months. These assts are stated at the lower of their carrying amounts and fair value less costs to sell. Movement of the non-current assets held for sale is as follows:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**—**	—
Transfer from property, plant and equipment *(Note 16)*	**184,590**	—
Transfer from leasehold land and land use rights *(Note 17)*	**593,017**	—
Transferfrom investment properties *(Note 18)*	**9,214**	—
Write-down to fair value less costs to sell	**(78,539)**	—
Disposal	**(94,477)**	—
At 31 December	**613,805**	—

27 Non-current assets held for sale (continued)

The net book value of non-current assets held for sale are analysed as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
In Hong Kong held on:		
- Leases of between 10 to 50 years	**128,918**	—
Outside Hong Kong held on:		
- Leases of between 10 to 50 years	**484,887**	—
	613,805	—

In February 2010, the Group has entered into a provisional sale and purchase agreement with an independent third party for the sale of an office property in Hong Kong, included in the above non-current assets held for sale, at a consideration of HK$66,000,000 (approximately RMB58,112,000). The transaction is expected to be completed by July 2010 with a gain.

28 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. At 31 December 2009, the aging analysis of trade payables is as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
0 - 30 days	**632,531**	1,006,904
31 - 60 days	**44,229**	425,114
Over 60 days	**41,301**	27,151
	718,061	1,459,169

The carrying amounts of trade payables approximate their fair values.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
RMB	**709,385**	1,448,336
HK$	**5,963**	5,964
Other currencies	**2,713**	4,869
	718,061	1,459,169

29 Bills payable

Bills payable are bills of exchange with average maturity period of six months and are denominated in RMB, the carrying amounts of which approximate their fair values. The weighted average effective interest rate of the Group's bills payable as at 31 December 2009 was 1.56% (2008: Nil).

30 Other payables, accruals and other current liabilities

	Group As at 31 December		Company As at 31 December	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accrued wages, salaries, bonus and staff welfare	**329,050**	267,888	**—**	—
Value-added tax, business tax and other taxes payables	**240,109**	178,099	**—**	—
Customers deposits	**210,757**	198,076	**—**	—
Other accrued expenses and payables	**174,680**	312,355	**5,515**	1,621
Purchase consideration payable for acquisition *(Note 36)*	**20,000**	20,000	**—**	—
Other current liabilities	**—**	3,828	**—**	—
	974,596	980,246	**5,515**	1,621

31 Borrowings

(a) Borrowings are analyzed as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Current borrowings:		
Bank borrowings	**—**	482,393
Trust receipt loans	**—**	21,055
	—	503,448

As at 31 December 2008, the Group's bank borrowings were carried at floating rates and the weighted average effective interest rate was 2.01%. The carrying amounts of the Group's bank borrowings were denominated in HK$ and approximate their fair values.

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

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Cross guarantees among subsidiaries of the Group	**494,213**	887,799
Guaranteed by the Company	**1,541,985**	1,953,563
Corresponding banking facilities utilized	**—**	503,448

32 Share capital and share premium

Share capital

	Ordinary shares of HK$0.1 each Number of shares	Nominal amount RMB'000
Authorized:		
As at 1 January 2008, 31 December 2008 and 31 December 2009	**30,000,000,000**	**296,038**
Issued and fully paid:		
As at 1 January 2008	8,441,333,000	83,126
Repurchase of shares (note)	(7,100,000)	(70)
As at 31 December 2008 and 31 December 2009	**8,434,233,000**	**83,056**

Note: During the year ended 31 December 2008, the Company repurchased 7,100,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$40,263,000 (equivalent to RMB35,502,000). The highest and lowest price paid per share were HK$5.70 and HK$5.50 respectively.

32 Share capital and share premium (continued)

Share premium

Company

	RMB'000
As at 1 January 2008	9,367,321
Repurchase of shares	(35,432)
As at 31 December 2008 and 31 December 2009	**9,331,889**

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

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 commenced trading on the Stock Exchange (the "Listing Date"). The maximum number of shares of the Company in which options may be granted under the Share Option Scheme or other share option schemes as may be adopted by the Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of shares in issue of the Listing Date, unless such scheme mandate limited is renewed by shareholders of the Company in a general meeting.

No options have been granted under the Share Option Scheme since its adoption and up to 31 December 2009.

33 Reserves

Group

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

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

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

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

Company

	Capital redemption reserve	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2008	—	552,834	552,834
Profit for the year	—	1,044,836	1,044,836
Repurchase of shares	70	(70)	—
Dividends paid	—	(548,687)	(548,687)
As at 31 December 2008	70	1,048,913	1,048,983
Profit for the year	**—**	**974,179**	**974,179**
Dividends paid	**—**	**(590,396)**	**(590,396)**
As at 31 December 2009	**70**	**1,432,696**	**1,432,766**

34 Consolidated statement of cash flows

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

	Year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Profit for the year	**2,529,691**	2,003,037
Adjustments for:		
Income tax expenses	**329,928**	257,558
Amortization of leasehold land and land use rights and intangible assets	**134,277**	139,377
Depreciation on property, plant and equipment	**495,182**	509,873
Depreciation on investment properties	**836**	979
Loss on disposal of other property, plant and equipment	**3,588**	10,227
Gain on disposal of buildings, leasehold land and land use rights	**(48,618)**	—
Gain on disposal of non-current assets held for sale	**(3,866)**	—
Gain on disposal of subsidiaries	**(16,487)**	—
Impairment losses on inventories	**44,732**	40,394
Write-off of property, plant and equipment	**5,475**	—
Write-down of non-current assets held for sale to fair value less costs to sell	**78,539**	—
Impairment losses on trade receivables	**948**	1,202
Gain on available-for-sale financial assets	**—**	(27,547)
Exchange differences	**6,665**	41,222
Interest income	**(113,097)**	(72,552)
Interest expense	**65,824**	29,736
	3,513,617	2,933,506
Changes in working capital:		
Decrease /(increase) in long-term deposits, prepayments and other non-current assets	**55,140**	(91,924)
Decrease/(increase) in inventories	**249,476**	(1,304,812)
Decrease/(increase) in trade receivables	**102,255**	(276,280)
Increase in other receivables, deposits and prepayments	**(43,875)**	(148,720)
Decrease in financial assets at fair value through profit and loss	**—**	396,703
Decrease in derivative financial instruments	**—**	42,665
Decrease in trust receipt loans	**(21,055)**	(34,026)
(Decrease)/increase in trade payables	**(737,956)**	728,139
Increase in other payables, accruals, other current and non-current liabilities	**119,441**	215,930
Net cash generated from operations	**3,237,043**	2,461,181

34 Consolidated statement of cash flows (continued)

(b) In the statement of cash flows, proceeds from sale of buildings, leasehold land, land use rights, non-current assets held for sale, and other property, plant and equipment comprise:

	Year ended 31 December			
	2009			2008
	Buildings, leasehold land and land use rights	**Non-current assets held for sale**	**Other property, plant and equipment**	Other property, plant and equipment
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*
Net book value	**286,583**	**94,477**	**12,411**	17,307
Gain/(loss) on disposal	**48,618**	**3,866**	**(3,588)**	(10,227)
Proceeds from sale	**335,201**	**98,343**	**8,823**	7,080

35 Disposal of subsidiaries

During the year, the Group disposed of its entire 85% equity interest in Full Prospect Limited and its subsidiaries, and a 100% interest in Fila Marketing (Hong Kong) Limited and its subsidiary to an independent third party. The details of the disposal are as follows:

	2009 *RMB'000*
Net assets disposed:	
Intangible assets	**470,143**
Property, plant and equipment	**4,836**
Inventories	**18,855**
Trade receivables	**1,146**
Other receivables, deposits and prepayments	**18,775**
Cash and cash equivalents	**44,479**
Trade payables	**(3,152)**
Other payables, accruals and other current liabilities	**(128,596)**
Current income tax liabilities	**(619)**
Other non-current liabilities	**(44,272)**
Deferred income tax liabilities	**(19,590)**
Minority interests	**(54,139)**
	307,866
Net gain on disposal of subsidiaries	**16,487**
Consideration	**324,353**
Satisfied by:	
Cash consideration	**324,353**

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2009 *RMB'000*
Cash consideration received	**324,353**
Cash and cash equivalents of the subsidiaries disposed	**(44,479)**
Net inflow of cash and cash equivalents	**279,874**

36 Business combination

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

(i) Acquisition of Millie's business

Effective 1 January 2008, Full Brand Limited, a wholly-owned subsidiary of the Group, acquired the entire equity interests in Ossia Marketing (HK) Limited and Ossia International (HK) Limited. These companies are incorporated in Hong Kong and principally engaged in the distribution and retail sales of footwear products in Hong Kong, Macau and the PRC, mainly under the brandname of "Millie's". The 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 Senda, pursuant to which New Belle has agreed to acquire interests in certain assets, business and companies (collectively the "Senda Business") from Senda. The Senda Business is principally engaged in the manufacturing and retail sales of men's and ladies' footwear products in the PRC. The aggregate consideration for the acquisition of the Senda Business amounted to RMB2,108,602,000. The control of the Senda Business had been gradually transferred to the Group during the period from 1 January 2008 to 31 May 2008.

(iii) Acquisition of Mirabell business

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

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

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

36 Business combination (continued)

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

	Millie's business		Senda's business		Mirabell's business		Total	
	Acquiree's carrying amount *RMB'000*	Fair value *RMB'000*	Acquiree's carrying amount *RMB'000*	Fair value *RMB'000*	Acquiree's carrying amount *RMB'000*	Fair value *RMB'000*	Acquiree's carrying amount *RMB'000*	Fair value *RMB'000*
Property plant and equipment and leasehold land and land use rights *(Notes 16 and 17)*	19,914	19,914	605,946	1,037,218	36,516	76,071	662,376	1,133,203
Intangible assets *(Note 19)*	—	99,138	—	324,120	10,136	273,650	10,136	696,908
Inventories	110,661	110,661	311,659	311,659	229,820	260,575	652,140	682,895
Cash and cash equivalents	7,195	7,195	126,306	126,306	225,325	225,325	358,826	358,826
Other assets	72,096	72,096	88,077	88,077	147,259	147,259	307,432	307,432
Net deferred tax assets/ (liabilities) *(Note 21)*	966	(15,392)	—	(188,848)	6,202	(43,804)	7,168	(248,044)
Bank borrowings	(55,081)	(55,081)	—	—	—	—	(55,081)	(55,081)
Other liabilities	(130,847)	(130,847)	(121,446)	(121,446)	(122,335)	(122,335)	(374,628)	(374,628)
	24,904	107,684	1,010,542	1,577,086	532,923	816,741	1,568,369	2,501,511
Minority interests	(1,590)	(1,590)	—	—	—	—	(1,590)	(1,590)
Net identifiable assets acquired	23,314	106,094	1,010,542	1,577,086	532,923	816,741	1,566,779	2,499,921

Note:

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

36 Business combination (continued)

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

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

	Year ended 31 December 2008 *RMB'000*
Total purchase considerations	4,151,814
Prepayments made in 2007	(904,552)
Considerations payable as at 31 December 2008 *(Note 30)*	(20,000)
Total purchase consideration paid during the year	3,227,262
Cash and cash equivalents acquired	(358,826)
Net cash outflow for acquisitions	2,868,436

(b) There were no acquisition during the year ended 31 December 2009.

37 Commitments

(a) Capital commitments

As at 31 December 2009, the Group had the following capital commitments not provided for:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Construction commitments:		
– Authorized but not contracted	**—**	—
– Contracted but not provided for	**213,552**	22,971
	213,552	22,971

37 Commitments (continued)

(b) Operating lease commitments

As at 31 December 2009, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Not later than one year	**502,788**	596,022
Later than one year and not later than five years	**590,368**	761,686
Later than five years	**241,482**	390,455
	1,334,638	1,748,163

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

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

The Company did not have any significant commitment at 31 December 2009 (2008: Nil).

38 Future minimum rental payments receivable

As at 31 December 2009, the aggregate future minimum rental payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2009	2008
	RMB'000	*RMB'000*
Not later than one year	**3,648**	6,306
Later than one year and not later than five years	**1,716**	745
	5,364	7,051

39 Related party transactions

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

Profit and loss items:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Key management compensation		
– Salaries, bonuses and other welfare *(note a)*	**32,922**	29,155
Sales of goods		
– Mirabell Footwear Limited *(note b)*	**—**	568
Royalty expenses		
– 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 Holdings Limited, 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.

40 Particulars of principal subsidiaries

At 31 December 2009, the Company had the following principal subsidiaries:

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

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held:				
Belle Footwear (Hong Kong) Company Limited	20,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Belle Worldwide Limited	3 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Fiorucci (HK) Limited	300,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Joy & Peace Footwear (HK) Limited	1,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Manner Holdings Limited	2 shares of HK$1 each	100%	Hong Kong	Property holdings/Hong Kong
Millie's (China) Limited	14,000 shares of HK$1,000 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Millie's Company Limited	1,000,000 shares of HK$10 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Mirabell Footwear Limited	2 ordinary shares of HK$100 each 20,160 non-voting deferred shares of of HK$100 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Senses Marketing International Limited	10,000 shares of HK$1 each	100%	Hong Kong	Wholesale of shoes and footwear products/Hong Kong
Shoesnet Co Limited	10,000 shares of HK$1 each	100%	Hong Kong	Property holdings/the PRC
Staccato Footwear Company Limited	300,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Artigiano Footwear Limited	30,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/Macau

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
Staccato Footwear (Macau) Company Limited	2 shares of MOP 12,500 each	100%	Macau	Trading of shoes and footwear products/Macau
Mirabell International Holdings Limited	263,320,000 shares of HK$0.1 each	100%	Cayman Islands	Investment holdings /Hong Kong
Staccato (IP) Limited	100 shares of US$1 each	100%	Mauritius	Trademark holdings/Macau
Hornet Agents Limited	1 share of US$1	100%	BVI	Trademark holdings /Hong Kong
Mirabell Footwear (Taiwan) Limited	1 share of US$1	100%	BVI	Trading of shoes and footwear products/Taiwan
Mirabell Investments Limited	1 share of US$1	100%	BVI	Investment holdings /Hong Kong
合眾服飾（深圳）有限公司 (Hezhong Apparel (Shenzhen) Limited)#	US$10,000,000	100%	The PRC	Manufacturing and trading of shoes, footwear products and apparel/the PRC
廣州市滔搏體育發展商貿有限公司 (Guangzhou Taobo Sports Development Company Limited)#	US$25,000,000	100%	The PRC	Operation of sports complex business/the PRC
滔搏商貿（瀋陽）有限公司 (Shenyang Taobo Trading complex business/the PRC Company Limited)#	US$5,000,000	100%	The PRC	Operation of sports complex business/the PRC
百朗商貿（深圳）有限公司 (Bailang Trading (Shenzhen) Company Limited)#	US$5,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
北京崇德商貿有限公司 (Beijing Chongde Trading Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
法迅貿易（上海）有限公司 (Faxun Trading (Shanghai) Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
Lai Kong Footwear (Shenzhen) Company Limited#	US$8,771,368	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
麗珂貿易（瀋陽）有限公司 (Li'ke Trading (Shenyang) Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
New Belle Footwear (Shenzhen) Company Limited#	US$130,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
青島傳承國際貿易有限公司 (Qingdao Chuancheng International Trading Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
陝西滔搏商貿有限公司 (Shanxi Taobo Sports Trading Company Limited)@	RMB240,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
深圳市滔搏商貿有限公司 (Shenzhen Taobo Trading Company Limited)@	RMB180,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
成都滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited)@	RMB242,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
武漢滔搏商貿有限公司 (Wuhan Taobo Trading Company Limited)@	USDB32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
雲南立銳體育用品有限公司 (Yunnan Lirui Sports Company Limited)@	RMB220,750,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
吉林市滔搏商貿有限公司 (Jilinshi Taobo Trading Company Limited)@	RMB1,000,000	100%	The PRC	Operation of sports complex business/the PRC
哈爾濱滔搏商貿有限公司 (Harbin Taobo Trading Company Limited)@	RMB12,000,000	100%	The PRC	Operation of sports complex business/the PRC
遼源市滔搏商貿有限公司 (Liaoyuan Taobo Trading Company Limited)@	RMB500,000	100%	The PRC	Operation of sports complex business/the PRC
東莞市滔搏體育用品有限公司 (Dongguanshi Taobo Trading Company Limited)@	RMB1,800,000	100%	The PRC	Operation of sports complex business/the PRC
江蘇森達鞋業有限公司 (Jiangsu Senda Footwear Company Limited)@	RMB294,250,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海百思圖鞋業有限公司 (Shanghai Basto Footwear Company Limited)@	RMB980,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海新百思圖鞋業有限公司 (Shanghai New Basto Footwear Company Limited)@	RMB50,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海璽威登國際貿易有限公司 (Shanghai Xiweideng International Trading Company Limited)@	RMB10,000,000	100%	The PRC	Trading of shoes and footwear products/the PRC

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

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

Belle 百麗國際
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