Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2010

(Stock Code: 1880)

CONTENT

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors

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

Authorized Representatives

Mr. Tang King Loy
Mr. Leung Kam Kwan

Audit Committee

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

Remuneration Committee

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

Company Secretary

Mr. Leung Kam Kwan, *FCPA*

Registered Office

Offshore Incorporation (Cayman) Limited
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Grand Cayman
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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1880

Website

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Legal Advisor

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

Auditor

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Six months ended 30 June 2010	2009
Revenue	RMB'000	**11,152,507**	9,309,910
Operating profit	RMB'000	**1,828,446**	1,265,163
Operating profit before other income *(Note)*	RMB'000	**1,810,134**	1,253,182
Income tax expense	RMB'000	**330,977**	149,069
Profit attributable to the Company's equity holders	RMB'000	**1,555,552**	1,135,773
Gross profit margin	%	**55.6**	52.4
Operating profit margin	%	**16.4**	13.6
Operating profit margin before other income	%	**16.2**	13.5
Net profit margin	%	**13.9**	12.2
Earnings per share			
– basic	RMB cents	**18.44**	13.47
– diluted	RMB cents	**18.44**	13.47
Interim dividend per share	RMB cents	**5.00**	3.50
Special dividend per share	RMB cents	**10.00**	—

		As at 30 June 2010	31 December 2009
Gearing ratio	%	**N/A**	6.0
Current ratio	times	**6.2**	4.1
Average trade receivables turnover period	days	**28.4**	33.5
Average trade payables turnover period	days	**28.5**	43.1
Average inventory turnover period	days	**139.4**	161.2

Note:

Other income consists mainly of government subsidies and rental income.


Tata

STATEMENT FROM CHAIRMAN

Dear Shareholders,

In the first half of 2010 the world economy experienced significant improvements due to the policy effects of the stimulus packages. The Chinese economy continued to be a star, with GDP growing at 11.1%. In the mean time structural changes to the economic growth model are accelerating. With stronger consumer confidence and higher disposable income, the whole consumer retail industry delivered strong results. The Group was well positioned in the first half to take advantage of the opportunities, because of timely adjustments we made last year, and achieved great results.

For the six months ended 30 June 2010 the Group recorded an increase of 19.8% in sales and 37.0% in profit attributable to equity holders as compared with the same period of last year.

There were 421 net additions to company-managed footwear retail outlets and 282 net additions to company-managed sportswear retail outlets during the first half. As at 30 June 2010 the total number of company-managed retail outlets reached 10,488 of which 10,315 outlets are located in Mainland China and 173 are located in Hong Kong and Macau.

The successful listing of Belle International on the main board of The Stock Exchange of Hong Kong Limited on 23 May 2007 still seems like yesterday although it has been more than three years. The past three years have been most extraordinary, with unforeseen ups and downs in the global economy. The turbulence in the financial market tumbled star companies, and also affected the lives of millions of people. We were proud to see the Chinese economy continuing its growth path at a fast pace against all the headwinds. The living standards of the Chinese people continued to improve. I am very pleased to see the Group not only wading through the turbulent times in the past three years but also building on our strength to achieve great results. In this highly competitive market the Group not only maintained leadership but also widened the gap ahead of competition. Both the sales value as well as operating profits more than doubled in three years, when compared with the 2007 interim report. The result speaks for itself. This is clear evidence that the Group has competent teams, superior processes, and a culture for success. This is evidence that Belle International is a good company. Recently the Hang Seng Indexes Company Limited announced the inclusion of Belle International Holdings Limited to the Hang Seng Index effective 6 September 2010, marking a significant step for the Group in its development. We are pleased at the recognition from the capital market, and at the same time fully aware of the much higher level of standards on sustainable growth. I want to thank you all, at the same time, I sincerely hope that all of us will continue to work harder and maintain the entrepreneurial spirit, in an effort to build Belle International into a better company, a great company, which will create greater value for our customers, for our employees, and for our investors.

Tang Yiu
Chairman

24 August 2010

STATEMENT FROM CEO

Dear Shareholders,

The Group's overall revenue increased by 19.8% to RMB11,152.5 million in the first half of 2010 compared with the same period of last year. Revenue of the footwear business increased by 26.5% to RMB6,723.9 million. The sportswear business recorded revenue of RMB4,428.6 million, up by 10.9%. The footwear business contributed 60.3% of the revenue of the Group, higher from the 57.1% level in the first half of 2009.

The margin of segment result of both the footwear business and the sportswear business improved significantly from the same period of last year. One major reason is because of the significant improvement in the economic environment and the retail market as well. Another major reason is because of the proactive adjustments the Group made in 2009, which resulted in more clarification in the business strategy and optimization of the store network, enabling the Group to take advantage of opportunities in a booming economy in the first half to achieve stellar results.

I am pleased to report the results for the first half year of 2010 as follows:

RESULTS FOR THE FIRST HALF YEAR OF 2010

Revenue increased by 19.8% to RMB11,152.5 million. The footwear business maintained steady growth in sales at a relatively fast pace of 26.5%. The major growth drivers are same store sales growth and retail network expansion. The sportswear business also achieved sales growth of 10.9% in the first half, upon completion of adjustments to the business structure in 2009. The main growth drivers are same store sales growth, faster pace of new store openings, and substitution of underperforming stores with more productive stores.

Operating profit was RMB1,828.4 million, an increase of 44.5% from the same period of last year. The growth in operating profit is significantly higher than revenue growth, mainly because margin improvements in both the footwear and the sportswear businesses. Another contributing factor is the favorable shift in business mix: the more profitable footwear business growing faster than the sportswear business, taking up a larger share of the revenue base.

Profit attributable to the Company's equity holders amounted to RMB1,555.6 million, an increase of 37.0%, slightly lower than growth in operating profit. The reason is because in the first half of 2010 effective tax rate was 17.5%, higher than the 11.6% in the same period of last year.

Earnings per share amounted to RMB18.44 cents, an increase of 36.9% from the RMB13.47 cents in the same period of last year. The board of directors (the "Board") has resolved to declare an interim dividend of RMB5.0 cents per share (2009 interim dividend: RMB3.5 cents) and a special dividend of RMB10.0 cents (2009 special dividend: nil).

STATEMENT FROM CEO

SUMMARY OF THE OVERALL BUSINESS DEVELOPMENT STRATEGY OF THE GROUP

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

Footwear business

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

	Six months ended 30 June				
	2010		2009		
	Turnover	**% of total**	Turnover	% of total	% of Growth
Company-owned brands	**6,130.2**	**91.2%**	4,803.1	90.4%	27.6%
Distribution brands	**514.7**	**7.6%**	400.9	7.5%	28.4%
Sub-total	**6,644.9**	**98.8%**	5,204.0	97.9%	27.7%
OEM	**79.0**	**1.2%**	112.1	2.1%	(29.5%)
Total	**6,723.9**	**100.0%**	5,316.1	100.0%	26.5%

Unit: RMB million

STATEMENT FROM CEO

SUMMARY OF THE OVERALL BUSINESS DEVELOPMENT STRATEGY OF THE GROUP (CONTINUED)

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 Kappa, PUMA, Converse, Reebok, Mizuno 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.

	Six months ended 30 June				
	2010		2009		
	Turnover	**% of total**	Turnover	% of total	% of Growth
First-tier sportswear brands*	**3,812.3**	**86.1%**	3,317.7	83.1%	14.9%
Second-tier sportswear brands*	**568.8**	**12.8%**	631.6	15.8%	(9.9%)
Other sportswear business	**47.5**	**1.1%**	44.5	1.1%	6.7%
Total	**4,428.6**	**100.0%**	3,993.8	100.0%	10.9%

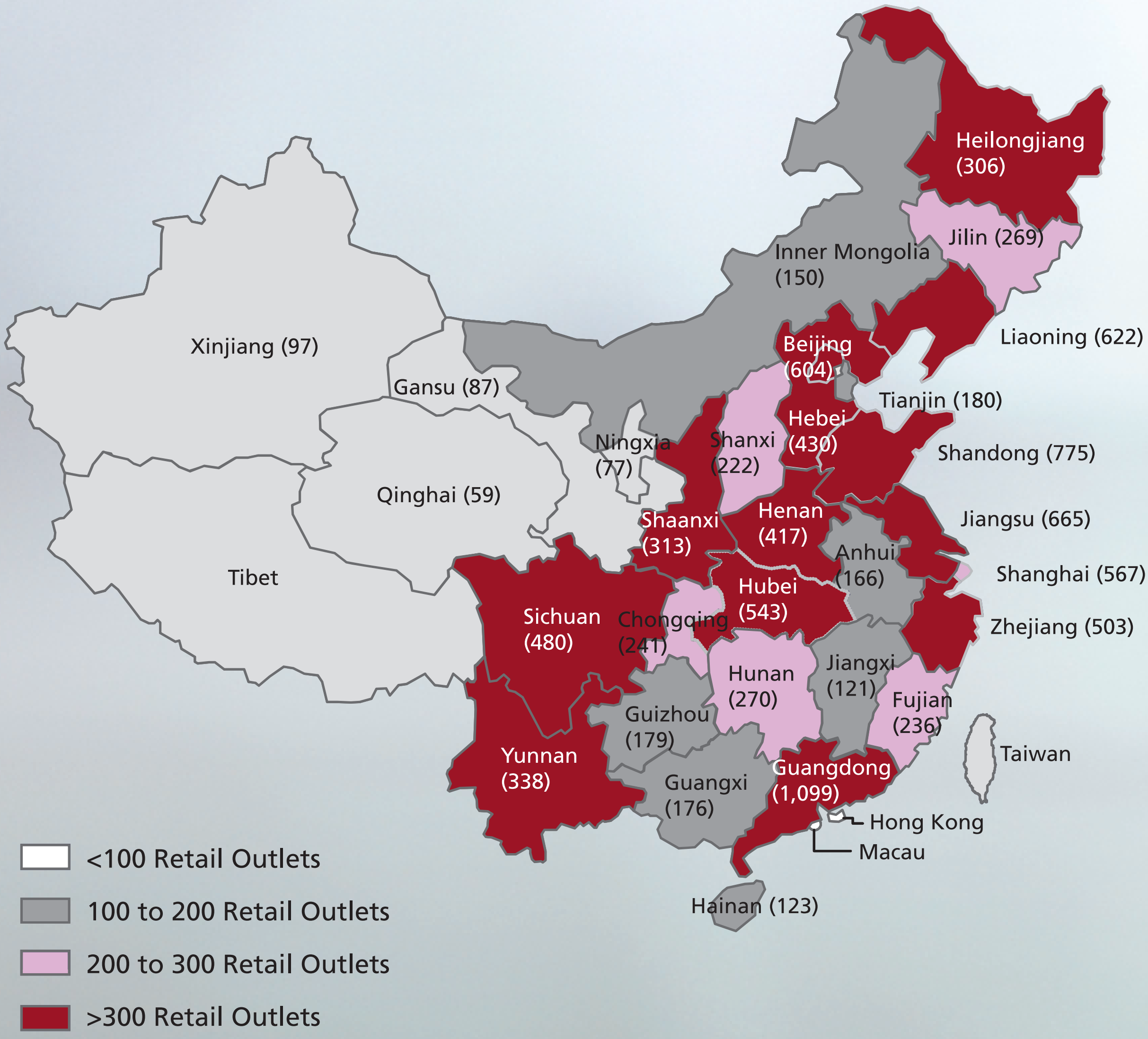
Unit: RMB million

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

STATEMENT FROM CEO

EXPANSION OF COMPANY-MANAGED RETAIL NETWORK

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 30 June 2010.



STATEMENT FROM CEO

EXPANSION OF COMPANY-MANAGED RETAIL NETWORK (CONTINUED)

The following table sets out the distribution of our company-managed retail outlets by region and by business segment in Mainland China as at 30 June 2010.

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	1,196	212	1,408	440	53	—	493	1,901
Northern China	1,058	107	1,165	314	89	18	421	1,586
Southern China	1,001	71	1,072	286	78	—	364	1,436
North-eastern China	676	62	738	332	127	—	459	1,197
Shandong and Henan	599	26	625	388	179	—	567	1,192
Central China	513	43	556	184	73	—	257	813
South-western China	469	28	497	210	14	—	224	721
North-western China	445	43	488	114	31	—	145	633
Yunnan and Guizhou	284	19	303	129	85	—	214	517
Guangzhou	302	17	319	—	—	—	—	319
Total	6,543	628	7,171	2,397	729	18	3,144	10,315

Note: In addition, the Group operates 173 company-managed outlets in Hong Kong and Macau.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS

Impact of the macroeconomic environment on the Group's business

The Chinese economy achieved fast growth in the first half of 2010, after bottoming out in 2009. In the first quarter, GDP growth was as high as 11.9%, due to a relatively low base, and the full effect from various stimulus policies. In the second quarter, GDP growth slowed down slightly but was still above 10%. Against this backdrop the consumer retail market was also robust. Strong consumer demand provided positive support for our business especially the footwear business, with not only a strong top-line growth but also significant improvements to the profit margins.

The Chinese government exercised policy exit of some of the stimulus packages since the second quarter once the recovery was well under way and certain sectors were showing signs of overheating, and at the same time implemented new policies aimed at regulating certain industries. As a result the economy slowed down moderately. The stock market and the property market were also negatively affected. In the mean time our retail business maintained strong growth without significant signs of a slowdown. However, given the economic environment, taking into account the typical time lag as reflected in consumer confidence and consumption demand, as well as a relatively higher base, sales growth of the Group in the second half of 2010 may not maintain at the high levels of the first half.

The Group continues to believe that economic cycles and short-term fluctuations will not change the long-term trend of fast growth of the Chinese economy, which is determined by the development stage of the Chinese economy. The penetration of footwear and sportswear products is still very low, indicating enormous potential for the related retail markets. The structural rebalancing and domestic demand revitalization plans actively pursued by the Chinese government will also have long-lasting positive effects on the consumer retail market. We are enthusiastic and confident about the future growth potential of the Group.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

Review of the footwear business

In the first half of 2010 the Group added 421 new stores, net, in the footwear business in Mainland China, a pace broadly in line with our expectations for the full year. Same store sales growth was strong at 18%, largely due to strong market sentiments. This is higher than last year's level, and also above prior expectations. The main reason should be attributed to the changes in the economic environment as discussed above. From another angle this is also clear evidence that our adjustment strategy in 2009, which aimed at laying a solid foundation for future growth, paid off. This is clear evidence that the Group has efficient supply chain management and effective sales execution, a good manifestation of the core competencies of the Group.

In the footwear business, gross margin and profit margin of segment results were both higher than that of the same period of last year. The main reasons are as follows. First, there was a significant difference in the retail environment in the first half of this year compared with the same period of last year. Last year in the first half, still in the aftershock of the financial crisis, the retail market was sluggish and consumption was weak. This year in the first half the economy continued to recover due to lagging effects of various stimulus packages, and the retail market was strong. Robust consumption demand not only lifted gross margins but also supported higher sales growth and lower expenses as a percentage of sales, both contributing to improved operating margins. Second, the footwear industry, especially leather shoe manufacturers and medium-small operators, already felt the pressure of higher cost, including raw material and labour. The increase in cost helped lift retail prices, which benefited the Group to some extent. At the same time however we did not experience an immediate cost increase due to a ramp-up in manufacturing capacity which provided a cushion in cost control, essentially a lagging effect in facing the cost pressure. In this specific time frame we saw an expansion of gross margins, which in our view might not sustain in the long term. Third, a higher gross margin was also partly due to the use of specific forms of promotions. In the first half the promotional environment was not worse than the same period of last year. However due to a later-than-normal Chinese New Year there was a significantly longer time window suitable for promotions, many in the form of voucher-based events. This type of promotions helps improve average selling price as well as the gross margin, but at the same time lift promotional expenses as a percentage of sales. The end result was favourable to the Group, which is evident in the interim result. A variety of financial metrics were impacted in different ways, but all within the normal range of the business.

A quick recap of the trending of profitability metrics in the footwear business: relatively weak in the first half of 2009; a significant improvement in the second half of 2009; continued improvement to a relatively high level in the first half of 2010. As discussed above this trend is largely in line with the economic cycle and changes in the retail market. In the next phase we might experience a normalization process in due course.

The core existing business continued to grow at a steady and healthy pace, maintaining a proactive yet prudent network expansion while at the same time continuing to grow same store sales. Core mature brands such as Belle continued to drive growth from expanding into lower tier markets, with more than half of the new stores from third-tier cities or lower. With the continued development of the Chinese economy, retail channels as represented by the department stores are accelerating the pace of penetrating into lower tier cities, which will create enormous opportunities for middle-end and mid-high-end brands operated by the Group. Take the Belle brand for example, by far the largest brand in our portfolio. We currently only operate about 1,400 Belle stores in about 200 cities, with huge potential for future expansion. The Group will actively make adjustments in merchandising, organizational structure, human resources and incentive schemes, to support suitable brands within our portfolio to grow in lower tier markets and smaller cities.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

Review of the footwear business (continued)

Newly acquired footwear brands were under more pressure in a weak economic environment in 2008 and 2009. As a result performance was under par. In the first half of this year we were pleased to see a significant improvement in the newly acquired businesses. Same store sales growth and revenue growth were above average. Profitability was also improving in a significant manner. On the one hand this is due to a low base and relatively low starting point. But on the other hand this also tells us that the integration process does take time and cannot be achieved overnight. After we spent significant time on the integration of internal resources and processes, with better scale economy from a larger store network, and in a more accommodative market environment, the newly acquired brands, especially Senda and Basto, are climbing up a level and achieving favourable results. Sales growth is strong. Profitability is also improving.

Our Hong Kong business, with the economy continuing to recover, is picking up momentum in terms of both sales growth and profitability improvement, after turning around in the fourth quarter of 2009. The long-term view of the Group is that the Hong Kong retail business not only will continue to provide sales contribution and profit contribution to a certain extent, but more importantly, will support our Mainland business in a strategic way, acting as a training base on retail expertise and brand management, and providing strong guidance and support to help improve the overall retail operations and brand management capabilities of the Group.

Review of the sportswear business

The correction in the sportswear market, which started from the fourth quarter of 2008, basically came to an end by the end of 2009. From the fourth quarter of 2009 same store sales growth turned positive, and continued to maintain at moderately positive levels in the first half of 2010, which was significantly below the same store sales growth of the footwear business of the Group. While apparently it still takes time for the sportswear market to fully recover, we also know from experience that a full correction usually sets the stage for new opportunities. The Group remains confident on the medium and long-term growth opportunities of the sportswear market. In the current environment the Group is actively working on merchandising and the optimization of product mix, while at the same time proactively seeking superior commercial locations to position ourselves for market expansion in the next phase. In the first half of this year we had a net opening of 282 sportswear stores, the majority of which are the more productive first tier brand stores.

In the first half profitability of the sportswear business improved significantly from the same period of last year. The main reasons are as follows. First, the rationalization of the store network, i.e. replacing nonproductive stores with high-productivity stores, helped lift profitability of the business segment. Second, same store sales growth turned positive, driving down expenses as a percentage of sales. Third, major brand companies are providing distributors with more support in order to position their brands for market development in the next stage.

In nearly two years our sportswear business endured hardships and challenges. We are pleased to see that our team has passed the test with satisfactory results, not only making hard but necessary choices but also maintaining a proactive attitude toward the business, day in and day out. Our adjustment strategies were forcefully executed. Our operational and managerial capabilities were greatly improved. We believe the corrections in the sportswear market also helped to ensure survival of the fittest. To the better distributors in this market the competitive landscape continues to improve. The Group continues to strengthen the lead in the sportswear retail market by continuously building on our internal capabilities, which positions us well for future growth.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

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 the first half of 2010 the sportswear segment contributed 39.7% of the total revenue of the Group, lower than the 42.9% level in the same period of last year. 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 selling expenses as a percentage of sales, and inventory turnover days would be negatively affected. The above-mentioned changes in business mix was on the one hand due to differences in sales growth between the two segments resulting from differences in market conditions, brand life cycle, etc., and on the other hand due to intentional efforts of the Group to focus our human resources and tangible assets on the core footwear business to drive efficient use of funds and better return of investment.

Within the footwear segment, the new brands are growing faster than the core existing business because of a very different growth profile. Revenue contribution from the new brands will continue to rise, on a relative basis. But because of the low base of the new brands, as well as the fact that the core existing brands continue to grow at a steady pace, in the near term the core existing brands will continue to be the main contributor of both the top line and the bottom line in the footwear business. For incremental stores, however, there would be a dilution effect on profitability and productivity metrics, because of a much larger share of the stores coming from new brands, and the new brands as a group are still lagging in profitability and operational efficiencies.

The revenue contribution from Hong Kong and Macau, as a percentage of the overall footwear business, did not decrease significantly from the 8-9% level, although the store count was slightly lower, in contrast to net additions to the store network on the Mainland. The main reason is a higher level of same store sales growth in Hong Kong and Macau in the first half of this year. In the foreseeable future revenue from Hong Kong and Macau is expected to take on a smaller share of the overall business because it is a more mature market with much smaller growth potential than the Mainland.

Within the sportswear business, the proportional business from first-tier brands continues to increase, with a net addition of over 200 new stores in the first half, while second-tier brands only added about 30 new stores. The reason why we are focusing on first-tier brands is on the one hand due to their stronger profitability, and on the other hand because of their better product line and brand equity which would enable sharper market penetration and sustainable growth. At the same time we intend to maintain adequate exposure to second-tier brands and accumulate operational experience and knowledge of products related to these brands, which would potentially enable us to be more open and proactive in exploring new business models and formats in the retail of sportswear products.

Changes in effective corporate income tax rate

The effective income tax rate was 17.5% in the first half of 2010, significantly higher than the same period of last year, by 5.9 percentage points. The main reason is because He Zhong, a subsidiary of the Group in the footwear business, was exempt from corporate income taxes in 2009, and is subject to a three-year preferential treatment of 50% reduction in the prevailing tax rate in the region from 2010 to 2012. He Zhong is located in the city of Shenzhen, where the prevailing income tax rate is 22% for 2010. As a result an income tax rate of 11% is applicable to He Zhong. In 2011 and 2012 the applicable rate to He Zhong would be 12% and 12.5%, respectively. From 2013 He Zhong will be subject to the full income tax rate of 25%.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

Changes in effective corporate income tax rate (continued)

New Belle, the main tax entity for our footwear business on the Mainland, is also subject to a preferential treatment of 50% reduction in the prevailing tax rate in the region in 2010, which resulted in an effective income tax rate of 11% for New Belle. In 2011 the applicable rate to New Belle would be 24%. From 2012 onward New Belle will be subject to an income tax rate of 25%.

With the gradual expiration of the abovementioned tax holidays, in the next three years the effective income tax rate of the Group is expected to step up especially in 2011, if there is no new preferential tax treatment obtained. We will continue to work with government bodies and taxation agencies at various levels and actively seek preferential tax treatments or other subsidies on a reasonable and practical basis, under conditions of promoting employment and developing local economies.

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

Inventory turnover

The inventory balance at the end of the first half of 2010 was RMB3,719.8 million, down 5% from the balance of RMB 3,915.9 million at the end of 2009, while sales volume was up 19.8% in the first half of 2010 compared with the same period of last year. The average inventory turnover days were down significantly from 161 days for 2009 to 139 days for the first half of 2010. The main reasons are as follows. First, new brands in the footwear business as well as the sportswear business continued to see stronger sales performance while at the same time improving inventory management efficiencies. Second, at the end of 2008 inventory balance was higher than normal levels, which resulted in a high base in the inventory turnover ratios.

From an operational perspective the retail of footwear and sportswear products requires a certain level of optimal inventory maintained at retail stores, which is key in supporting desired sales growth and help maintain gross margins. Every brand, depending on the specific positioning, would have its own requirements on inventory management which in turn translates into specific target zones for inventory metrics. Lower inventory levels as a percentage of sales are not always in the best interest of the operators. Currently inventory turnover ratios of the Group are at an optimal level, with satisfactory product mix as well. In the future the Group plans to pursue an active penetration and expansion strategy in relevant markets especially in the high-end casual footwear market. At the same time the sportswear retail market is expected to continue to improve. Both areas would require support from merchandising and stocking up to support sales. As a result we do not expect inventory turnover days to continue to decrease in a significant manner.

The impact of higher labour cost

The labour shortage and labour cost issue in the coastal areas of China has been a focal point in the past few months. The majority of our employees are in retail sales or retail management, located throughout the country, where the pressure from labour issues is not significant. We do employ about 20,000 employees in our manufacturing facilities, with the majority of them located in the Pearl River Delta, where we are directly facing challenges from the labour front. The Group has taken immediate measures and raised the compensation to competitive levels for our factory employees. We have not experienced any disruption to the supply chain because of labour shortage.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

The impact of higher labour cost (continued)

Direct labour is only a small part of the production cost of our footwear products. The increase in capacity of our production facilities in the past two years also helped reduce manufacturing overhead on a per unit basis, which partly offset the increase in labour cost. The increase in production cost per unit was not significant. In the first half of this year the average selling price in the overall footwear market was up. We observed a price increase that was more than enough to offset the increase in production cost. As a result we did not see an erosion in the gross margin.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

The impact of higher labour cost (continued)

To us these seemingly abrupt developments on the labour front did not come in as a surprise. The Group has been operating footwear manufacturing facilities in the Pearl River Delta for almost twenty years. From first-hand experience, observations, and analysis we identified the accelerating trend of rising labour cost in the coastal areas 2 to 3 years ago, and made the decision to move part of the manufacturing facilities to the inland areas. After two years of preparation the Group successfully opened a new factory in Suzhou City, Anhui Province in June 2010. In the long term this new Suzhou facility has the potential to become an important production base for the Group. This is consistent with our strategy to maintain cost leadership and market competitiveness. But this new factory just opened up and it will take a fairly long period of time to streamline all aspects of operations, including training, setting up manufacturing processes, logistics and transportation. In the short term the opening of the new factory will not have a significant impact on the location and cost of manufacturing of the Group. We will be carefully observing and analyzing the situation at the new factory and gradually ramp up capacity of the facility on a practical and prudent basis.

To keep increasing the salaries for low income groups is not only a reality all businesses have to accept but also a necessity for the society. Continued improvement and sustainable development of a society is only possible when the majority of its people can share in the growth and enjoy dignified lives. As a consumer retail company we also would like to have a more solid consumer group. With the changes in income distribution and the gradual expansion of the middle class, we expect positive catalysts to the long-term business prospects of the Group. The Group is committed to actively improving productivity and as a result increasing the compensation for our employees. We are committed to helping our employees better achieve their life goals while creating value for the company.

Integration of newly acquired businesses

The acquisitions we made in late 2007 and early 2008 were based on the long-term development and market segmentation strategies of the Group, more specifically as follows:

- Through the acquisition of Senda, the Group enhanced coverage in the lower portion of the middle-end footwear market. This sub-segment has tremendous size and offers vast opportunities to grow.
- Through the acquisition of Millie's, the Group enriched brand offerings in the mid-to-high-end ladies' fashion shoe segment. The new brands would complement our existing brands in this segment with differentiated product offerings.
- Through the acquisition of Mirabell, the Group obtained ownership of Joyce & Peace, a mid-to-high-end fashion brand, and was in a position to apply the vertical integration supply chain model to this brand. At the same time the Group added coverage to high-end international casual footwear brands and outdoors footwear brands.

After two years of hard work the integration of internal resources and processes is largely completed. For most of the new brands, the focus has been shifted from internal integration to external market expansion. The Group adopted a differentiated approach in transitioning the operations of the new brands onto our existing managerial platform, based on the specific positioning, life cycle, and operational characteristics of each brand. Based on the specific requirements of each brand we also employ differentiated brand building strategies, operational specifications, human resources with required skill sets, and performance evaluation metrics, in order to cultivate and grow each new brand in the most suitable way.

STATEMENT FROM CEO

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS (CONTINUED)

Integration of newly acquired businesses (continued)

The Senda brands, including Senda and Basto, continue to expand their store network this year, after a significant addition to their stores last year. At the same time there was a significant improvement to average store productivity, despite of fast expansion. These two brands achieved outstanding results, with sales growing at a fast pace, as well as improvements in profitability. The Group plans to continue to work on two areas with regard to these two brands. First, since the productivity of Senda and Basto stores is still significantly lower than the core brands we need to continue to improve product R&D as well as day-to-day sales operations. Second, we will continue to actively expand the store network based on the understanding that the market segments targeted by these two brands have sizeable potential to be tapped into. And to do so we will implement differentiated strategies in staffing, brand management and marketing based on the specific requirements of their markets.

For company-owned brands under the Millie's and Mirabell umbrella, we have applied the operating model of our core brands in which a focus on in-house R&D and in-house production is complemented by outside R&D and sourcing to a certain extent. While it still takes time to improve on the processes we have already seen favourable results: a higher portion of replenishment orders, higher flexibility of the supply chain, better inventory control; improved product mix and higher gross margins; improved store productivity and lower expenses as a percentage of sales. The next step for these mid-high-end brands is to introduce a more coordinated approach toward brand building and operations management. A brand management team comprised of experienced managers will take a leadership role in guiding and supporting product development, merchandising and marketing for each brand. We are committed to attending to every detail in managing retail operations to support brand building and at the same time continue to improve productivity and profitability.

With the distribution business of international casual brands we have achieved satisfactory progress, with the sales growth outperforming overall footwear business and profitability continuing to improve. However there are still bottlenecks to overcome: limited store network, relatively low brand recognition, and narrow customer base; product collection not rich enough and low productivity. The next step is to actively invest in future growth, with more aggressive network expansion aimed at attracting more consumers and cultivating potential customers. We are in the process of allocating more experienced professionals to this business and enhance marketing activities, aimed at building brand recognition and goodwill. In China there is already a sizeable high-end consumer group, which continues to expand. With these consumers continuously following a more casual and healthy lifestyle we believe the market potential for high-end casual footwear and outdoors shoes is unlimited. Our brand coverage and investment in this market segment will provide the Group with a solid base for long-term growth.

PROSPECTS

Although there are signs of a slowdown in growth momentum the Chinese economy continues to grow at a fairly high pace, and we have not observed a significant impact on the consumer retail market. The process of economic rebalancing will also provide good opportunities for the development of the consumer retail market. As a leader in the footwear and sportswear retail industry the Group will continue to maintain a practical and proactive approach, actively penetrate new markets and improve operating efficiencies. At the same time we are also committed to exploring new channels and new operational models, leading innovation and growth of the industry.

Sheng Baijiao
CEO and Executive Director

24 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group continued to benefit from steady growth. During the six months ended 30 June 2010, the Group recorded revenue and operating profit of RMB11,152.5 million and RMB1,828.4 million respectively, achieving growth rate of 19.8% and 44.5% respectively. The profit attributable to the Company's equity holders increased by 37.0% to RMB1,555.6 million in the first half of 2010.

REVENUE

The Group's revenue increased by 19.8% to RMB11,152.5 million in the six months ended 30 June 2010 from RMB9,309.9 million in the six months ended 30 June 2009. This was mainly attributable to the continually steady growth of sales generated from the footwear business as compared with the corresponding period of last year. Sales from the footwear business and the sportswear business increased by RMB1,407.8 million and RMB434.8 million respectively, from RMB5,316.1 million and RMB3,993.8 million in the six months ended 30 June 2009 to RMB6,723.9 million and RMB4,428.6 million in the six months ended 30 June 2010.

	Six months ended 30 June				
	2010		2009		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**6,130.2**	**55.0%**	4,803.1	51.6%	27.6%
Distribution brands	**514.7**	**4.6%**	400.9	4.3%	28.4%
OEM	**79.0**	**0.7%**	112.1	1.2%	(29.5%)
	6,723.9	**60.3%**	5,316.1	57.1%	26.5%
Sportswear					
First-tier sportswear brands*	**3,812.3**	**34.2%**	3,317.7	35.6%	14.9%
Second-tier sportswear brands*	**568.8**	**5.1%**	631.6	6.8%	(9.9%)
Other sportswear business	**47.5**	**0.4%**	44.5	0.5%	6.7%
	4,428.6	**39.7%**	3,993.8	42.9%	10.9%
Total	**11,152.5**	**100.0%**	9,309.9	100.0%	19.8%

Unit: RMB million

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY

On account of the continuous growth of the Group's businesses, the operating profit increased by 44.5% to RMB1,828.4 million. The profit attributable to the Company's equity holders increased by 37.0% to RMB1,555.6 million in the first half of 2010.

Six months ended 30 June

	2010		2009		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Revenue	**6,723.9**	**4,428.6**	5,316.1	3,993.8	26.5%	10.9%
Cost of sales	**(2,124.6)**	**(2,831.9)**	(1,886.4)	(2,545.6)	12.6%	11.2%
Gross Profit	**4,599.3**	**1,596.7**	3,429.7	1,448.2	34.1%	10.3%
Gross profit margin (%)	**68.4**	**36.1**	64.5	36.3		

Cost of sales increased by 11.8% from RMB4,432.0 million in the six months ended 30 June 2009 to RMB4,956.5 million in the six months ended 30 June 2010. The increase in cost of sales was lower than the increase in revenue. It is mainly due to increase in proportional sales of the footwear business to the Group's revenue in the first half of 2010.

Gross profit increased by 27.0% to RMB6,196.0 million in the six months ended 30 June 2010 from RMB4,877.9 million in the six months ended 30 June 2009. Gross profit in our footwear segment increased by 34.1% to RMB4,599.3 million in the six months ended 30 June 2010 from RMB3,429.7 million in the six months ended 30 June 2009. Gross profit in our sportswear segment increased by 10.3% to RMB1,596.7 million in the six months ended 30 June 2010 from RMB1,448.2 million in the six months ended 30 June 2009.

During the period under review, the gross profit margin of the footwear business and the sportswear business was 68.4% and 36.1% respectively. Comparing to the same period of last year, the gross profit margin of the footwear business increased by 3.9 percentage points while no material change in that of the sportswear business was observed. Owing to differences in the respective business models, sportswear products generally have lower gross profit margins than our footwear products. As 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 55.6% in the six months ended 30 June 2010 from 52.4% in the six months ended 30 June 2009.

Selling and distribution expenses in the six months ended 30 June 2010 amounted to RMB3,584.0 million (2009: RMB2,924.8 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retails outlet decorations and advertising and promotional expenses. General and administrative expenses in the six months ended 30 June 2010 amounted to RMB801.8 million (2009: RMB699.9 million), primarily consisting of management and administrative personnel salaries and depreciation charges on office premises and office equipment. In terms of percentages, the ratio of selling and distribution expenses and general and administrative expenses to revenue ratio was 32.1% (2009: 31.4%) and 7.2% (2009: 7.5%) respectively.

Finance income increased to RMB58.5 million in the six months ended 30 June 2010 from RMB53.8 million in the six months ended 30 June 2009. This is mainly due to the increase in the proportion of structured bank deposits with higher interest rate earned in the six months ended 30 June 2010.

PROFITABILITY (CONTINUED)

Interest expense significantly decreased to RMB0.1 million in the six months ended 30 June 2010 from RMB36.5 million in the six months ended 30 June 2009, as a result of repayment of bills payable in early 2010. During the six months ended 30 June 2010, Renminbi appreciated against Hong Kong dollars by 0.93% and as a result the Group recorded an exchange loss of approximately RMB0.3 million (2009: RMB0.2 million).

Income tax expense in the six months ended 30 June 2010 amounted to RMB331.0 million (2009: RMB149.1 million). The effective income tax rate increased by 5.9 percentage point to 17.5% in the first half of the year from the 11.6% in the same period of last year. The main reason is He Zhong Apparel (Shenzhen) Limited ("He Zhong"), a subsidiary of the Group in the footwear business, recorded a relatively fast pace of business growth in the period under review. It was exempted from corporate income taxes in 2008 and 2009, and was granted a 50% reduction in income tax from 2010 to 2012. He Zhong and New Belle Footwear (Shenzhen) Limited ("New Belle"), another major domestic operating unit, are both incorporated in Shenzhen (a special economic zone where the standard tax rate is 22% in 2010 (2009: 20%)). New Belle was granted a 50% reduction in income tax from 2008 to 2010. Hence, both He Zhong and New Belle were subject to a corporate income tax rate of 11% in 2010 (2009: He Zhong 0%, New Belle 10%). On the other hand, the corporate income tax rate for the Senda business is 25% and the average corporate income tax rate for the sportswear business is approximately 25%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 30 June 2010, the working capital of the Group was RMB10,823.5 million, representing an increase of 12.5% or RMB1,202.5 million as compared with 31 December 2009.

During the period under review, net cash generated from operation amounted to RMB2,125.2 million, increased by 173.4%, from RMB777.2 million of the same period of last year. This reflects the Group's ability to generate solid earnings.

Net cash used in investing activities for the period ended 30 June 2010 was RMB845.1 million (2009: RMB6,655.1 million). During the period, the Group invested approximately RMB1,578.0 million and RMB316.8 million on net deposit in structured bank deposits and purchase of property, plant and equipment. Withdrawal of term deposits with initial terms of over three months of approximately RMB1,054.8 million partly offset the above investments.

During the review period, net cash used in financing activities was RMB1,405.7 million (net cash generated in 2009: RMB5,402.1 million), mainly attributable to repayment of bills payable of RMB1,115.3 million and the 2009 final dividend payment of RMB337.4 million. As at 30 June 2010, the Group's gearing ratio was 0% (31 December 2009: 6.0%) (Gearing ratio is calculated using the following formula: Total of Bills payable and Borrowings / Total Assets). The Group's current ratio was 6.2 times (31 December 2009: 4.1 times) (Current ratio is calculated using the following formula: Current Assets / Current Liabilities).

As at 30 June 2010, the Group was in a net cash position (represented by cash and cash equivalents, structured bank deposits and term deposits with initial terms of over three months) of RMB6,196.1 million (31 December 2009 net cash position: RMB4,677.1 million, represented by the total of cash and cash equivalents, structured bank deposits and term deposits with initial terms of over three months of RMB5,792.4 million, net of bills payable of RMB1,115.3 million).

PLEDGE OF ASSETS

As at 30 June 2010, no property, plant and equipment, land use rights and investment properties were pledged as security for banking facilities available to the Group (31 December 2009: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2010, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 30 June 2010, the Group had a total of 80,299 employees (31 December 2009: 71,780 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance.

INTERIM AND SPECIAL DIVIDENDS

The Board has resolved to declare an interim dividend of RMB5.0 cents per share (2009 interim dividend: RMB3.5 cents) amounting to RMB421.7 million (2009 interim dividend: RMB295.2 million) and a special dividend of RMB10.0 cents per share (2009 special dividend: nil) amounting to RMB843.4 million (2009 special dividend: nil) for the year ending 31 December 2010. The interim and special dividends will be paid on or about 27 October 2010 to members whose names appear on the register of members of the Company on 30 September 2010.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the official exchange rate of RMB against Hong Kong dollars (HK$1.00=RMB0.87458) as quoted by the People's Bank of China on 24 August 2010, being the date on which the interim and special dividends are declared by the Board. Accordingly, the amount of the interim dividend is HK5.72 cents per share and the special dividend is HK11.43 cents per share.

CLOSURE OF REGISTER OF MEMBERS

The interim and special dividends will be paid on or about 27 October 2010 to the shareholders whose names appear on the register of members of the Company on 30 September 2010. The register of members of the Company will be closed from Wednesday, 29 September 2010, to Thursday, 30 September 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim and special dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 28 September 2010.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF BELLE INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 51, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2010 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

		Unaudited	
		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	4	**11,152,507**	9,309,910
Costs of sales		**(4,956,506)**	(4,431,945)
Gross profit		**6,196,001**	4,877,965
Selling and distribution expenses		**(3,584,040)**	(2,924,836)
General and administrative expenses		**(801,827)**	(699,947)
Other income		**18,312**	11,981
Operating profit	5	**1,828,446**	1,265,163
Finance income		**58,492**	53,761
Finance costs		**(409)**	(36,676)
Finance income, net	6	**58,083**	17,085
Profit before income tax		**1,886,529**	1,282,248
Income tax expense	7	**(330,977)**	(149,069)
Profit for the period		**1,555,552**	1,133,179
Profit attributable to:			
Equity holders of the Company		**1,555,552**	1,135,773
Non-controlling interests		**—**	(2,594)
		1,555,552	1,133,179
Earnings per share for profit attributable to equity holders of the Company	8		
– basic		**RMB18.44 cents**	RMB13.47 cents
– diluted		**RMB18.44 cents**	RMB13.47 cents

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

Details of dividends payable to equity holders of the Company attributable to profit for the period are set out in Note 9.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Profit for the period	**1,555,552**	1,133,179
Other comprehensive loss		
Exchange differences	**(9,440)**	(6,497)
Other comprehensive loss for the period, net of tax	**(9,440)**	(6,497)
Total comprehensive income for the period	**1,546,112**	1,126,682
Attributable to:		
Equity holders of the Company	**1,546,112**	1,129,276
Non-controlling interests	**—**	(2,594)
	1,546,112	1,126,682

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	Unaudited 30 June 2010 RMB'000	Audited 31 December 2009 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,396,146**	2,350,581
Land use rights	10	**172,034**	167,687
Investment properties	10	**73,535**	74,825
Intangible assets	10	**2,752,254**	2,794,274
Long-term deposits and prepayments		**502,905**	451,694
Deferred income tax assets		**85,968**	94,185
		5,982,842	5,933,246
Current assets			
Inventories		**3,719,779**	3,915,901
Trade receivables	11	**1,734,007**	1,760,512
Other receivables, deposits and prepayments		**644,671**	608,896
Structured bank deposits	12	**3,385,504**	1,789,576
Term deposits with initial terms of over three months	12	**1,251,072**	2,312,247
Cash and cash equivalents	13	**1,559,496**	1,690,548
		12,294,529	12,077,680
Non-current assets held for sale	14	**612,692**	613,805
		12,907,221	12,691,485
Total assets		**18,890,063**	18,624,731

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2010

	Note	Unaudited 30 June 2010 *RMB'000*	Audited 31 December 2009 *RMB'000* (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**83,056**	83,056
Share premium	15	**9,214,078**	9,214,078
Reserves		**7,234,610**	6,025,867
Total equity		**16,531,744**	15,323,001
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**273,474**	229,360
Other non-current liabilities		**1,144**	1,899
		274,618	231,259
Current liabilities			
Trade payables	16	**844,717**	718,061
Bills payable		**—**	1,115,253
Other payables, accruals and other current liabilities		**907,656**	974,596
Current income tax liabilities		**331,328**	262,561
		2,083,701	3,070,471
Total liabilities		**2,358,319**	3,301,730
Total equity and liabilities		**18,890,063**	18,624,731
Net current assets		**10,823,520**	9,621,014
Total assets less current liabilities		**16,806,362**	15,554,260

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	Unaudited									
	Capital and reserves attributable to equity holders of the Company									
	Share Capital RMB'000 (Note 15)	Share Premium RMB'000 (Note 15)	Merger Reserve RMB'000	Statutory Reserves RMB'000	Capital Redemption Reserve RMB'000	Exchange Reserve RMB'000	Retained Earnings RMB'000	Subtotal RMB'000	Non-controlling Interest RMB'000	Total RMB'000
For the six months ended 30 June 2010										
As at 1 January 2010	**83,056**	**9,214,078**	**3,531**	**407,895**	**70**	**(20,198)**	**5,634,569**	**15,323,001**	**—**	**15,323,001**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**1,555,552**	**1,555,552**	**—**	**1,555,552**
Other comprehensive loss:										
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(9,440)**	**—**	**(9,440)**	**—**	**(9,440)**
Total comprehensive (loss)/ income for the period	**—**	**—**	**—**	**—**	**—**	**(9,440)**	**1,555,552**	**1,546,112**	**—**	**1,546,112**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(337,369)**	**(337,369)**	**—**	**(337,369)**
As at 30 June 2010	**83,056**	**9,214,078**	**3,531**	**407,895**	**70**	**(29,638)**	**6,852,752**	**16,531,744**	**—**	**16,531,744**
For the six months ended 30 June 2009										
As at 1 January 2009	83,056	9,214,078	3,531	37,306	70	(25,868)	4,062,055	13,374,228	57,123	13,431,351
Profit/(loss) for the period	—	—	—	—	—	—	1,135,773	1,135,773	(2,594)	1,133,179
Other comprehensive loss:										
Exchange differences	—	—	—	—	—	(6,497)	—	(6,497)	—	(6,497)
Total comprehensive (loss)/ income for the period	—	—	—	—	—	(6,497)	1,135,773	1,129,276	(2,594)	1,126,682
Dividends	—	—	—	—	—	—	(295,198)	(295,198)	—	(295,198)
As at 30 June 2009	83,056	9,214,078	3,531	37,306	70	(32,365)	4,902,630	14,208,306	54,529	14,262,835

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Unaudited Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Net cash generated from operating activities	**2,125,222**	777,233
Cash flows from investing activities		
Purchase of property, plant and equipment	**(316,770)**	(296,255)
Payments of intangible assets and land use rights	**(7,794)**	(1,501)
Proceeds from sale of property, plant and equipment	**2,704**	1,156
Placement of structured bank deposits	**(3,163,000)**	—
Uplift of structured bank deposits	**1,585,000**	240,000
Decrease/(increase) in new term deposits with initial terms of over three months	**1,054,758**	(6,598,456)
Net cash used in investing activities	**(845,102)**	(6,655,056)
Cash flows from financing activities		
Dividends paid	**(337,369)**	(295,198)
Interest received	**46,981**	33,221
Interest paid	**(74)**	(36,462)
Proceeds from borrowings	**—**	176,316
Repayments of borrowings	**—**	(679,400)
Issue of bills of exchange	**—**	6,203,669
Repayment of bills of exchange	**(1,115,253)**	—
Net cash (used in)/generated from financing activities	**(1,405,715)**	5,402,146
Net decrease in cash and cash equivalents	**(125,595)**	(475,677)
Cash and cash equivalents at beginning of the period	**1,690,548**	2,326,596
Effect on foreign exchange	**(5,457)**	(73)
Cash and cash equivalents at end of the period	**1,559,496**	1,850,846

The notes on pages 35 to 51 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Belle International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") are principally engaged in the manufacturing, distribution and 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 and Macau.

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2010 is unaudited and has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 24 August 2010.

2 BASIS OF PREPARATION

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

3 ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2009, except as mentioned below.

(a) Effect of adopting amendments to standards and interpretations

In 2010, the Group adopted IAS 17 (amendment), "Leases", which is mandatory for accounting periods beginning on or after 1 January 2010.

IAS 17 (amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of IAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortized over the lease term.

IAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognized the leasehold land in Hong Kong and certain land leases in the PRC as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating leases to finance leases.

3 ACCOUNTING POLICIES (CONTINUED)

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

The accounting for land interest classified as finance lease is as below:

- If the property interest is held for own use, that land interest is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

- If the property interest is held to earn rentals and/or for capital appreciation, that land interest is accounted for as investment property and is depreciated from the land interest available for its intended use over the shorter of the useful life of the asset and the lease term.

The effect of the adoption of this amendment is as follows:

	30 June 2010	31 December 2009	1 January 2009
	RMB'000	*RMB'000*	*RMB'000*
Increase in property, plant and equipment	**500,222**	509,173	644,877
Increase in investment properties	**61,498**	62,432	111,791
Decrease in land use rights	**561,720**	571,605	756,668

The adoption of this amendment also resulted in an increase in depreciation of property, plant and equipment and investment properties of RMB8,520,000 and RMB1,569,000 respectively and a decrease in amortization of land use rights of RMB10,089,000 for the six months ended 30 June 2009.

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2010. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

IFRSs (amendment)	Improvements to IFRSs 2009 (excluding IAS 17 (amendment) "Leases")
IFRS 1 (revised)	First-time adoption of IFRSs
IFRS 1 (amendment)	Additional exemptions for first-time adopters
IFRS 2 (amendment)	Group cash-settled share-based payment transactions
IFRS 3 (revised)	Business combinations
IFRS 5 (amendment)	Non-current asset held for sale and discontinued operations
IAS 27 (revised)	Consolidated and separate financial statements
IAS 39 (amendment)	Eligible hedged items
IFRIC Int 17	Distributions of non-cash assets to owners

3 ACCOUNTING POLICIES (CONTINUED)

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

The following new standard, amendments to standards and interpretations have been issued but are not effective for 2010 and have not been early adopted:

IFRSs (amendment)	Improvements to IFRSs 2010 (1)
IFRS 9	Financial instruments (2)
IAS 24 (revised)	Related party disclosures (1)
IAS 32 (amendment)	Classification of right issues (1)
IFRIC Int 14 (amendment)	Prepayments of a minimum funding requirement (1)
IFRIC Int 19	Extinguishing financial liabilities with equity instruments (1)

(1) Effective for the Group for annual period beginning on 1 January 2011.

(2) Effective for the Group for annual period beginning on 1 January 2013.

The directors anticipate that the adoption of these new standard, amendments to standards and interpretations will not result in a significant impact on the results and financial position of the Group.

4 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing, distribution and retail 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 amortization 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 property, plant and equipment, 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2010				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Reportable segments total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue					
Sales of goods	6,723,925	4,405,979	11,129,904	—	11,129,904
Commissions from concessionaire sales	—	22,603	22,603	—	22,603
	6,723,925	4,428,582	11,152,507	—	11,152,507
Results of reportable segments	1,604,016	288,142	1,892,158	—	1,892,158
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					1,892,158
Amortization of intangible assets					(42,814)
Unallocated income					1,150
Unallocated expenses					(22,048)
Operating profit					1,828,446
Finance income					58,492
Finance costs					(409)
Profit before income tax					1,886,529
Income tax expense					(330,977)
Profit for the period					1,555,552
Other segment information					
Depreciation on property, plant and equipment	148,613	100,767	249,380	11,837	261,217
Amortization of land use rights	2,653	—	2,653	—	2,653
Depreciation on investment properties	—	—	—	1,290	1,290
Amortization of intangible assets	22,846	19,968	42,814	—	42,814
Write-off of property, plant and equipments	3,690	—	3,690	—	3,690
Additions to non-current assets	231,257	91,677	322,934	1,630	324,564

4 SEGMENT INFORMATION (CONTINUED)

	As at 30 June 2010				
	Shoes and footwear products	Sportswear products	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**5,798,483**	**6,127,875**	**11,926,358**	**—**	**11,926,358**
Goodwill	**1,651,893**	**485,261**	**2,137,154**	**—**	**2,137,154**
Other intangible assets	**595,228**	**19,872**	**615,100**	**—**	**615,100**
Inter-segment balances elimination	**—**	**(2,252,532)**	**(2,252,532)**	**—**	**(2,252,532)**
	8,045,604	**4,380,476**	**12,426,080**	**—**	**12,426,080**
Investment properties				**73,535**	**73,535**
Non-current assets held for sales				**612,692**	**612,692**
Terms deposits with initial terms of over three months				**1,251,072**	**1,251,072**
Structured bank deposits				**3,385,504**	**3,385,504**
Deferred income tax assets				**85,968**	**85,968**
Other unallocated assets				**1,055,212**	**1,055,212**
Total assets per condensed consolidated balance sheet					**18,890,063**
Segment liabilities	**3,316,684**	**641,576**	**3,958,260**	**—**	**3,958,260**
Inter-segment balances elimination	**(2,252,532)**	**—**	**(2,252,532)**	**—**	**(2,252,532)**
	1,064,152	**641,576**	**1,705,728**	**—**	**1,705,728**
Current income tax liabilities				**331,328**	**331,328**
Deferred income tax liabilities				**273,474**	**273,474**
Other unallocated liabilities				**47,789**	**47,789**
Total liabilities per condensed consolidated balance sheet					**2,358,319**

4 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2009				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Reportable segments total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue					
Sales of goods	5,317,437	3,973,001	9,290,438	—	9,290,438
Inter-segment sales elimination	(1,372)	—	(1,372)	—	(1,372)
	5,316,065	3,973,001	9,289,066	—	9,289,066
Commissions from concessionaire sales	—	20,844	20,844	—	20,844
	5,316,065	3,993,845	9,309,910	—	9,309,910
Results of reportable segments	1,096,940	219,322	1,316,262	—	1,316,262
A reconciliation of results of reportable segments to profit for the period is as follows:					
Results of reportable segments					1,316,262
Amortization of intangible assets					(46,634)
Unallocated income					2,053
Unallocated expenses					(6,518)
Operating profit					1,265,163
Finance income					53,761
Finance costs					(36,676)
Profit before income tax					1,282,248
Income tax expense					(149,069)
Profit for the period					1,133,179
Other segment information					
Depreciation on property, plant and equipment (restated)	136,688	97,194	233,882	5,592	239,474
Amortization of land use rights (restated)	7,647	—	7,647	—	7,647
Depreciation on investment properties (restated)	—	—	—	2,046	2,046
Amortization of intangible assets	20,761	25,873	46,634	—	46,634
Impairment losses on inventories	3,096	—	3,096	—	3,096
Additions to non-current assets	195,157	75,888	271,045	26,711	297,756

4 SEGMENT INFORMATION (CONTINUED)

	As at 31 December 2009				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Reportable segments total *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment assets	5,407,491	6,251,662	11,659,153	—	11,659,153
Goodwill	1,651,893	485,261	2,137,154	—	2,137,154
Other intangible assets	617,346	39,774	657,120	—	657,120
Inter-segment balances elimination	—	(2,140,746)	(2,140,746)	—	(2,140,746)
	7,676,730	4,635,951	12,312,681	—	12,312,681
Investment properties (restated)				74,825	74,825
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 (restated)				1,427,412	1,427,412
Total assets per condensed consolidated balance sheet					18,624,731
Segment liabilities	3,162,348	651,135	3,813,483	—	3,813,483
Inter-segment balances elimination	(2,140,746)	—	(2,140,746)	—	(2,140,746)
	1,021,602	651,135	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 condensed consolidated balance sheet					3,301,730

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (CONTINUED)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue		
The PRC	**10,529,676**	8,669,490
Hong Kong and Macau	**537,355**	518,832
Other locations	**85,476**	121,588
	11,152,507	9,309,910

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

	As at 30 June 2010				As at 31 December 2009			
	The PRC	**Hong Kong and Macau**	**Other locations**	**Total**	The PRC	Hong Kong and Macau	Other locations	Total
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Restated)	(Restated)	(Restated)	(Restated)
Non-current assets								
Property, plant and equipment	**2,089,578**	**306,568**	**—**	**2,396,146**	2,031,393	318,949	239	2,350,581
Land use rights	**172,034**	**—**	**—**	**172,034**	167,687	—	—	167,687
Investment properties	**73,535**	**—**	**—**	**73,535**	74,825	—	—	74,825
Intangible assets	**2,680,496**	**71,758**	**—**	**2,752,254**	2,721,211	73,063	—	2,794,274
Long-term deposits and prepayments	**481,475**	**21,430**	**—**	**502,905**	410,955	40,739	—	451,694
	5,497,118	**399,756**	**—**	**5,896,874**	5,406,071	432,751	239	5,839,061

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Costs of inventories recognized as expenses included in cost of sales	**4,955,602**	4,428,207
Depreciation on property, plant and equipment	**261,217**	239,474
Depreciation on investment properties	**1,290**	2,046
Amortization of land use rights	**2,653**	7,647
Amortization of intangible assets	**42,814**	46,634
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**2,524,974**	1,996,458
Staff costs (including directors' emoluments)	**1,334,965**	1,125,989
Write-off of property, plant and equipment	**3,690**	—
Loss on disposal of property, plant and equipment	**742**	5,894
Impairment losses on inventories	**—**	3,096

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

6 FINANCE INCOME, NET

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Interest income on bank deposits	**24,807**	48,694
Interest income from structured bank deposits	**33,685**	5,067
	58,492	53,761
Interest expense on short-term bank borrowings and bills payable – wholly repayable within 5 years	**(74)**	(36,462)
Net foreign exchange losses	**(335)**	(214)
	(409)	(36,676)
Finance income, net	**58,083**	17,085

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**276,558**	157,857
– Hong Kong profits tax	**4,577**	1,237
– Macau income tax	**1,742**	1,204
Under/(over)-provision in prior years		
– PRC corporate income tax	**—**	372
– Hong Kong profits tax	**(628)**	(1,735)
Deferred income tax	**48,728**	(9,866)
	330,977	149,069

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group, as being wholly foreign-owned enterprises in Shenzhen, the PRC. Certain subsidiaries established in the PRC are also entitled to a two-year exemption for income taxes followed by 50% reduction in income taxes for the ensuing three years. These companies have been subject to reduced tax rates ranging from 11% to 22% during the period. The tax rates for these companies will be gradually increased to 25% towards year 2013. Hong Kong and Macau profits tax have been provided for at the rate of 16.5% (2009: 16.5%) and at the tax rates prevailing in Macau respectively on the estimated assessable profit for the period.

8 EARNINGS PER SHARE

Basic

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

	Six months ended 30 June	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**1,555,552**	1,135,773
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of share)	**8,434,233**	8,434,233
Basic earnings per share (RMB cents per share)	**18.44**	13.47

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 periods.

9 DIVIDENDS

(a) At a meeting held on 24 August 2010, the directors declared an interim dividend of RMB5.0 cents per share (totaling RMB421,712,000) and a special dividend of RMB10.0 cents per share (totaling RMB843,423,000) for the year ending 31 December 2010. These dividends are not reflected as dividend payable in the interim financial information, but will be reflected as appropriations of retained earnings for the year ending 31 December 2010.

(b) At a meeting held on 24 March 2010, the directors recommended a final dividend for the year ended 31 December 2009 of RMB4.0 cents per share, totaling RMB337,369,000, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2010.

(c) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 CAPITAL EXPENDITURE

	Property, plant and equipment *RMB'000* (Restated)	Leasehold land and land use rights *RMB'000* (Restated)	Investment properties *RMB'000* (Restated)	Goodwill *RMB'000*	Other intangible assets *(note)* *RMB'000*	Total intangible assets *RMB'000*	Total *RMB'000*
Net book value as at 1 January 2010, as previously reported	**1,841,408**	**739,292**	**12,393**	**2,137,154**	**657,120**	**2,794,274**	**5,387,367**
Change in accounting policy *(Note 3(a))*	**509,173**	**(571,605)**	**62,432**	**—**	**—**	**—**	**—**
Net book value as at 1 January 2010, as restated	**2,350,581**	**167,687**	**74,825**	**2,137,154**	**657,120**	**2,794,274**	**5,387,367**
Additions	**316,770**	**7,000**	**—**	**—**	**794**	**794**	**324,564**
Depreciation/amortization	**(261,217)**	**(2,653)**	**(1,290)**	**—**	**(42,814)**	**(42,814)**	**(307,974)**
Disposals/written off	**(7,136)**	**—**	**—**	**—**	**—**	**—**	**(7,136)**
Exchange differences	**(2,852)**	**—**	**—**	**—**	**—**	**—**	**(2,852)**
Net book value as at 30 June 2010	**2,396,146**	**172,034**	**73,535**	**2,137,154**	**615,100**	**2,752,254**	**5,393,969**
Net book value as at 1 January 2009, as previously reported	2,225,763	1,437,124	22,458	2,157,820	1,202,451	3,360,271	7,045,616
Change in accounting policy *(Note 3(a))*	644,877	(756,668)	111,791	—	—	—	—
Net book value as at 1 January 2009, as restated	2,870,640	680,456	134,249	2,157,820	1,202,451	3,360,271	7,045,616
Additions	296,255	—	—	—	1,501	1,501	297,756
Depreciation/amortization	(239,474)	(7,647)	(2,046)	—	(46,634)	(46,634)	(295,801)
Transferred to non-current assets held for sale	(93,611)	—	(56,009)	—	—	—	(149,620)
Disposals/written off	(7,050)	—	—	—	—	—	(7,050)
Exchange differences	(131)	—	(78)	—	(2)	(2)	(211)
Net book value as at 30 June 2009, as restated	2,826,629	672,809	76,116	2,157,820	1,157,316	3,315,136	6,890,690

Note:

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

11 TRADE RECEIVABLES

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 30 June 2010, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
0 to 30 days	**1,653,582**	1,680,671
31 to 60 days	**44,807**	25,996
61 to 90 days	**8,019**	37,151
Over 90 days	**27,599**	16,694
	1,734,007	1,760,512

The carrying amounts of trade receivables approximate their fair values.

12 STRUCTURED BANK DEPOSITS AND TERM DEPOSITS WITH INITIAL TERMS OF OVER THREE MONTHS

Structured bank deposits and term deposits with initial terms of over three months are denominated in RMB.

The weighted average effective interest rate of the Group's structured bank deposits as at 30 June 2010 was 3.31% (31 December 2009: 2.86%). The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 30 June 2010 was 2.20% (31 December 2009: 2.07%).

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Cash and bank balances	**1,459,171**	656,521
Term deposits with initial terms of less than three months	**100,325**	1,034,027
	1,559,496	1,690,548
Denominated in		
RMB	**1,293,653**	1,096,681
HK$	**254,863**	569,926
Other currencies	**10,980**	23,941
	1,559,496	1,690,548

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 30 June 2010 was 0.81% (31 December 2009: 0.89%).

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.

14 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale represent certain office and factory premises located in Hong Kong and the PRC that management intends to dispose of within twelve months. These assets are stated at the lower of their carrying amounts and fair value less costs to sell (also see Note 19).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 SHARE CAPITAL AND SHARE PREMIUM

Share capital

	Ordinary shares of HK$0.01 each *Number of shares*	Nominal amount *RMB'000*
Authorized:		
As at 1 January 2009, 31 December 2009 and 30 June 2010	**30,000,000,000**	296,038
Issued and fully paid:		
As at 1 January 2009, 31 December 2009 and 30 June 2010	**8,434,233,000**	83,056

Share premium

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

Share option scheme

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

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

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

No options have been granted under the Share Option Scheme since its adoption and up to 30 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 TRADE PAYABLES

The normal credit period for trade payables generally ranges from 0 to 30 days. As at 30 June 2010, the aging analysis of trade payables is as follows:

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
0 to 30 days	**679,311**	632,531
31 to 60 days	**130,965**	44,229
Over 60 days	**34,441**	41,301
	844,717	718,061

The carrying amounts of trade payables approximate their fair values.

17 CAPITAL COMMITMENTS

	As at	
	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
Purchase of land and buildings		
– Contracted but not provided for	**58,101**	—
Construction commitments		
– Contracted but not provided for	**130,068**	213,552

18 RELATED PARTY TRANSACTIONS

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

	For the period ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Key management compensation		
– Salaries, bonuses and other welfare *(note)*	**9,800**	9,529

Note:

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

19 SUBSEQUENT EVENTS

Subsequent to the period end, the Group disposed of certain properties in Hong Kong, which have been classified as non-current assets held for sale, to certain independent third parties at a total consideration of approximately HK$177.4 million (approximately RMB154.8 million). All these transactions will be completed by December 2010 with an expected gain on disposal.

GENERAL INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2010, 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 in the share capital of Company ("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

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

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

GENERAL INFORMATION

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

As at 30 June 2010, 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 *(Note1)*	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 Holding Limited	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%

Notes:

(1) The letter "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 30 June 2010.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the six months ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company had compiled with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

GENERAL INFORMATION

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the period under review.

AUDIT COMMITTEE

The primary duties of the audit committee are to assist the Board to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board of the Company.

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial information for the six months ended 30 June 2010.

REMUNERATION COMMITTEE

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

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