Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2010

(Stock code: 1880)

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Directors

Mr. Gao Yu
Ms. Hu Xiaoling

Independent Non-executive Directors

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

Authorized Representatives

Mr. Tang King Loy
Mr. Leung Kam Kwan

Audit Committee

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

Remuneration Committee

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

Company Secretary

Mr. Leung Kam Kwan, FCPA

Registered Office

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

Head Office and Principal Place of Business in Hong Kong

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Hong Kong

Stock Code

1880

Website

www.belleintl.com

Legal Advisor

Cleary Gottlieb Steen & Hamilton (Hong Kong)
39/F Bank of China Tower
1 Garden Road
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
68 Fort Street
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
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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.

* *Resigned as an Executive Director effective from 24 March 2011*

FINANCIAL HIGHLIGHTS

		Year ended 31 December	
		2010	2009
Revenue	RMB'000	**23,705,890**	19,761,634
Operating profit	RMB'000	**3,962,503**	2,824,165
Operating profit before other income and other gains/losses	RMB'000	**3,902,744**	2,818,878
Income tax expense	RMB'000	**700,576**	329,928
Profit attributable to the Company's equity holders	RMB'000	**3,424,531**	2,533,499
Gross profit margin	%	**55.7**	53.3
Operating profit margin	%	**16.7**	14.3
Operating profit margin before other income and other gains/losses	%	**16.5**	14.3
Net profit margin	%	**14.4**	12.8
Earnings per share – basic	RMB cents	**40.60**	30.04
– diluted	RMB cents	**40.60**	30.04
Dividend per share – interim, paid	RMB cents	**5.00**	3.50
– special, paid	RMB cents	**10.00**	—
– final, proposed	RMB cents	**6.00**	4.00
– special, proposed	RMB cents	**10.00**	—

		As at 31 December	
		2010	2009
Gearing ratio	%	**3.3**	6.0
Current ratio	times	**4.1**	4.1
Average trade receivables turnover period	days	**29.9**	33.5
Average trade payables turnover period	days	**31.7**	43.1
Average inventory turnover period	days	**152.6**	161.2

STATEMENT FROM CHAIRMAN

DEAR SHAREHOLDERS,

2010 was a year of great complexity in the Chinese economy. With various stimulus packages the economy maintained fast growth. Merchandise retail sales value increased by more than 18% compared with last year. Disposable income of urban residents increased almost 8%. At the same time inflationary pressure was picking up. GDP grew faster than income growth. The cost of living for residents and the operational cost for businesses both increased significantly. Global economic recovery was not yet stable. Developed economies were troubled by low growth and high unemployment. Emerging economies, on the other hand, started to experience higher inflation expectations and turned to tightening policies.

As a retail company directly serving millions of consumers, the Group on the one hand faces the challenge of continually higher cost of doing business, and on the other hand feels the enormous opportunity arising from the current marketplace. In the 12th five-year plan China is committed to improving the living standards of its citizens, aiming at synchronizing resident income growth with economic growth. In the future the policy focus will be less on GDP growth and more on adjusting the demand structure and increasing consumption.

The Group will soon embrace its 20th anniversary. In the past 20 years of growth and development of the Group, we likely benefited more from the opening-up-to-the-outside process characterized by "prosperity of part of the population". In the future 20 years we expect to achieve much greater growth and elevation as China continues to step up on its reform process, when the society gradually achieve prosperity for all the people. We believe in this new phase boundless market opportunities exist together with potential business risks. As a leader in the industry, the Group will actively enhance our competitive edge and leadership position. At the same time, we are also ready to work even harder and prepare for all challenges ahead, laying a solid foundation for a company that will last into the next century.

In 2010, we achieved solid results because of the combined effort of all our employees. For the year ended 31 December 2010, the Group recorded an increase of 20.0% in sales and 35.2% in profit attributable to the Company's equity holders as compared with last year. There were 1,562 net additions to company-managed footwear retail outlets and 793 net additions to company-managed sportswear retail outlets during the year. As at 31 December 2010, the total number of company-managed retail outlets reached 12,139 of which 11,967 outlets are located in Mainland China and 172 are located in Hong Kong and Macau.

In September 2010, the Group became a constituent stock of the Hang Seng Index, indicating recognition from the capital market and various stakeholders. While greatly honoured we are also fully aware of the higher level of responsibilities. On the one hand, the Group will continue to raise the standard for corporate governance and management of the business, rewarding investors with outstanding results. On the other hand, we are also committed to giving back to the society with detailed yet concrete actions to fulfill our social responsibilities.

A new year is a new beginning, always with risks and uncertainties, yet full of excitements and opportunities. In the past 20 years we experienced great difficulties but also achieved great success, creating a solid foundation for the future. All of us at Belle are determined to stay true to our core values: perseverance, confidence, discipline and devotion. I am confident that the Group will sail steadily and far against all headwinds ahead.

Tang Yiu
Chairman

23 March 2011

STATEMENT FROM CEO

Dear Shareholders,

The Group's overall revenue increased by 20.0% to RMB23,705.9 million in 2010 compared with last year. Revenue of the footwear business increased by 24.9% to RMB14,649.4 million compared with last year. The sportswear business recorded revenue of RMB9,056.5 million, up by 12.8% from last year. The footwear business contributed 61.8% of the revenue of the Group, higher from the 59.4% level in 2009.

The margin of segment result of both the footwear business and the sportswear business improved significantly from last year. The major reasons are: First, retail sales performance was very strong due to significant improvements in the economic environment and the retail market as well; Second, the Group implemented proactive adjustments to the business portfolio and growth strategy in 2009, which laid a solid foundation for us to improve profitability in 2010; Third, all employees of the Group worked hard on the continued improvement of operational efficiency and effectiveness, which, from an execution perspective, enabled the improvement of profitability.

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

Results for the Full Year of 2010

Revenue increased by 20.0% to RMB23,705.9 million. The footwear business maintained steady growth in sales at a relatively fast pace of 24.9% compared with last year. The major growth drivers are same store sales growth and retail network expansion. With same store sales growth at about 17% for the full year and the average number of outstanding stores up by about 15%, the contributions from these two main drivers are fairly balanced. The sportswear business also achieved sales growth of 12.8%. Same store sales growth came out of the negative territory in 2009 and reached about 5% in 2010. A relatively fast pace of new store opening was also a main contributor to the sales growth in our sportswear business.

Operating profit was RMB3,962.5 million, an increase of 40.3% from last year. The growth in operating profit is significantly higher than revenue growth, mainly because of margin improvements in both the footwear and the sportswear segments. 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 RMB3,424.5 million, an increase of 35.2%, slightly lower than the growth rate of operating profit. It is because the effective tax rate of 17.0% in 2010 is higher than the 11.5% level last year.

Earnings per share amounted to RMB40.6 cents. The board of directors (the "Board") has recommended to declare a final dividend of RMB6.0 cents per share and a special dividend of RMB10.0 cents per share. Together with the interim dividend of RMB5.0 cents per share and special dividend RMB10.0 cents per share (paid on 27 October 2010), the total dividend for the year ended 31 December 2010 will amount to RMB31.0 cents per share (2009: RMB7.5 cents).

Summary of the Overall Business Development Strategy of the Group

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

Footwear business

Company-owned brands include Belle, 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.

	Year ended 31 December				
	2010		2009		
	Turnover	**% of total**	Turnover	% of total	Growth rate
Company-owned brands	**13,383.3**	**91.4%**	10,736.9	91.5%	24.6%
Distribution brands	**1,044.2**	**7.1%**	781.9	6.7%	33.5%
Sub-total	**14,427.5**	**98.5%**	11,518.8	98.2%	25.3%
OEM	**221.9**	**1.5%**	214.4	1.8%	3.5%
Total	**14,649.4**	**100.0%**	11,733.2	100.0%	24.9%

Unit: RMB million

Sportswear business

The majority of our sportswear business is in the form of distribution business, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands 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.

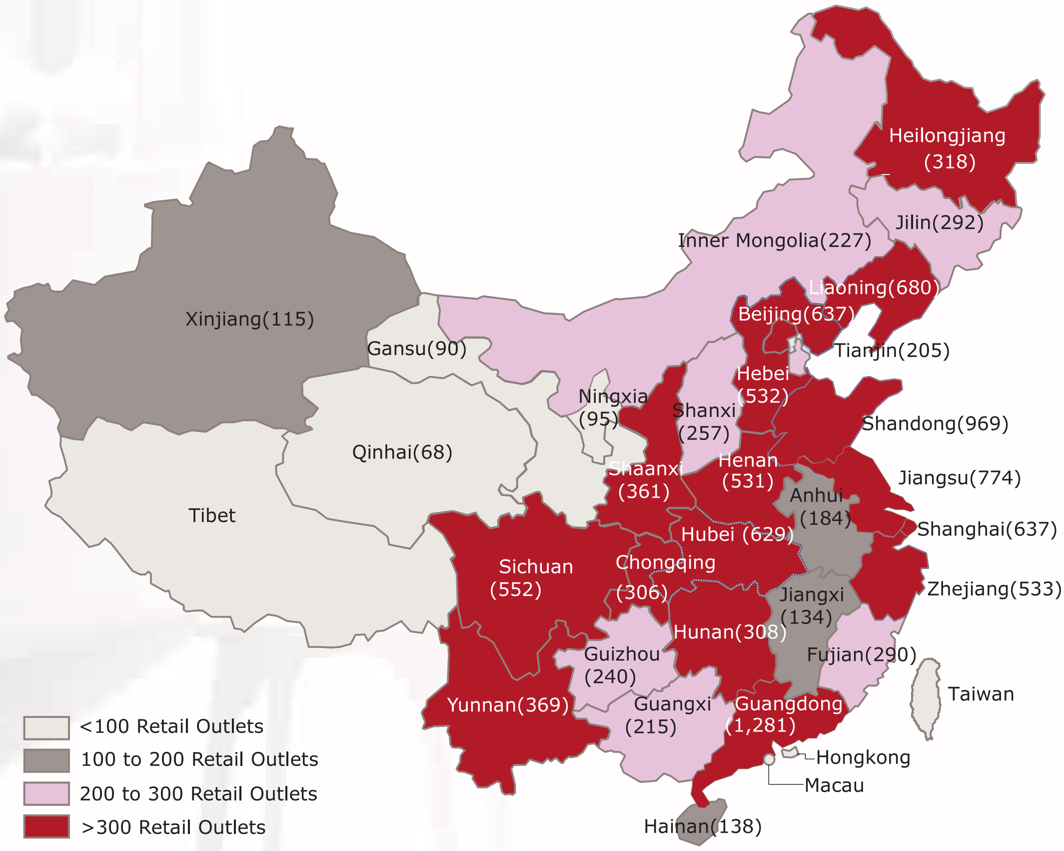
	Year ended 31 December				
	2010		2009		
	Turnover	**% of total**	Turnover	% of total	Growth rate
First-tier sportswear brands	**7,800.2**	**86.1%**	6,695.7	83.4%	16.5%
Second-tier sportswear brands	**1,148.7**	**12.7%**	1,238.5	15.4%	(7.3%)
Other sportswear business	**107.6**	**1.2%**	94.2	1.2%	14.2%
Total	**9,056.5**	**100.0%**	8,028.4	100.0%	12.8%

Unit: RMB million


PIZZA

Expansion of Company-Managed Retail Network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 31 December 2010.



The following table sets out the distribution of our company-managed retail outlets by region and by business segment in Mainland China as at 31 December 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	1,333	219	1,552	529	47	—	576	2,128
Northern China	1,202	138	1,340	370	129	19	518	1,858
Southern China	1,190	98	1,288	344	88	—	432	1,720
Shandong and Henan	810	36	846	459	195	—	654	1,500
North-eastern China	731	70	801	366	123	—	489	1,290
Central China	562	52	614	231	92	—	323	937
South-western China	545	36	581	251	26	—	277	858
North-western China	510	61	571	126	32	—	158	729
Yunnan and Guizhou	362	19	381	141	87	—	228	609
Guangzhou	320	18	338	—	—	—	—	338
Total	7,565	747	8,312	2,817	819	19	3,655	11,967

Note: In addition, the Group operates 172 company-managed outlets in Hong Kong and Macau.

Overview of the Market and Management Discussions

Impact of the macroeconomic environment on the Group's business

The macroeconomic environment improved significantly from the previous year. 2010 was also a transition year for the macroeconomy in which we witnessed a normalization of policy stances. In the first half of 2010, the Chinese economy achieved fast growth due to the stimulus packages as well as a low base, with the GDP growing at 11.1%. In the second half the economy slowed down slightly due to a higher base and changes in certain policy directions, with the GDP growing at about 9.7%.

Generally speaking, changes in the macroeconomy do have impact on the business of the Group, but the correlation is not significant. In our footwear business we achieved a high level of same store sales growth at 18% in the first half. In the second half, while slightly lower, the same store sales growth was still at a fairly high level of 16.5%. In our sportswear business, consistent with the trend of recovery of first-tier international brands, the same store sales growth actually improved in the second half compared with the first half. Also, both business segments maintained a relatively steady level of profitability. In our view, the development and growth of our business are predominantly determined by first, the current stage of development, as well as the long-term trend, of the consumer retail market in Mainland China, and second, the life cycle of specific brands we have, as well as the strategic proposition of these brands.

The penetration level of footwear and sportswear products in Mainland China is still very low. The structural rebalancing and domestic demand revitalization plans actively pursued by the Chinese government will have long-lasting positive effects on consumption. Two major themes, urbanization and consumption upgrade, will be the long-term drivers of the growth and development of the business of the Group.

Review of the footwear business

To better position ourselves in an increasingly complex market environment, the Group made proactive adjustments in 2009 to the business strategy based on a thorough analysis and review of the business development of the Group since the IPO. In the past the main driver of growth was network expansion. We made a decision to rely on two wheels going forward, i.e. network expansion and productivity improvement. With the combined effort of all our employees we have achieved significant improvements in 2010. Revenue grew by 24.9% in the footwear business, with balanced contribution from productivity improvement and store network expansion. Same store sales growth was very strong, which was on the one hand due to favourable market sentiments, and on the other hand due to the efforts put in by our retail teams across the country. Our business strategy was duly implemented, and our employees worked hard at managing operational details and improving marketing capabilities, which helped existing stores to boost unrealized potential. This achievement clearly demonstrated our long-lasting tradition of constant learning and the ability to execute effectively.

In 2010 we started to speed up the process of opening new stores, with net addition of 1,562 new footwear stores in Mainland China, which was above our original plan at the start of the year. The faster-than-expected store expansion was mainly due to three reasons. First, the department store channel is actively expanding, with an emphasis on tier-three markets. Second, in 2009 the Group slowed down in opening new stores, which set aside more opportunities for the year of 2010. Third, from a long-term strategic point of view the Group ramped up new store opening for new brands especially casual footwear brands. Most of the new store openings were concentrated in the third and fourth quarters, with insignificant contribution to current year sales. We expect their contribution to overall sales to be higher next year.

In the footwear business, gross margin was significantly higher than that of last year. There are two main reasons as follows: First, there was a significant improvement in the economic environment and the retail market, with stronger consumer sentiment and less discounting; Second, the acquired businesses improved significantly, with noticeably higher gross margins. As for the trending of the gross margin metric, it was fairly weak in the first half of 2009, strengthening in the second half of 2009, then reaching a high level in the first half of 2010, and finally normalizing in the second half of 2010. These changes were more determined by the specific business cycle and relating to the specific economic environment we experienced in the past two years, rather than a directional trend with forecasting values. The gross margin of the footwear business is predominantly determined by two factors, one being the positioning of specific brands in terms of price point, another being operational efficiency and the effectiveness of supply chain management. The Group operates a collection of brands, with the average selling price relatively stable. From an operational point of view, our footwear business is already experienced and fairly sophisticated. On that account we expect our footwear business to maintain a fairly steady gross margin.

The profit margin of segment results for the footwear business also improved, by a spread that is similar to the improvement in gross margins, indicating the ratio of various expenses as a percentage of sales remained fairly stable. At the component level, selling and distribution expenses increased slightly as a percentage of sales, while general and administration expenses decreased slightly as a percentage of sales. Changes with the former group of expenses are mainly due to changes in the cost environment in China, with both rent and staff cost facing upward pressure on an ongoing basis. Changes with the latter group of expenses because the majority of general and administrative expenses is in fixed cost there is generally some leverage during a period of healthy sales growth. As discussed earlier, the business environment in China is expected to be challenging in the near future, with overall cost continuing to go up. To alleviate the cost pressure the Group is taking action on multiple fronts, trying to improve productivity on a per store basis. Meanwhile, the acquired brands are coming to a stage where we can expect significant improvement in store productivity as well as economy of scale, which would also help us control expenses as a percentage of sales and maintain a fairly consistent profit margin.

The core existing business continued to grow at a strong and steady pace, not only achieving double-digit same store sales growth, but also maintaining a relatively fast network expansion. Take the Belle brand for example, by far the largest brand in our portfolio and the one with the longest history. In 2010 we opened more than 200 Belle stores, net, an increase of more than 15% in the number of point of sales. The new stores are mostly located in tier-two and tier-three cities, indicating continued penetration of the department store channel into medium and small sized cities. We currently operate about 1,500 Belle stores in just over 200 cities, which, from both the static and dynamic points of view, is far from saturation. It is our view that ladies' fashion shoe brands such as Belle are generally still at a growth stage of their respective life cycles in the China market, with enormous potential for future development.

Acquired footwear brands were under more pressure in a weak economic environment in 2008 and 2009. At the same time we undertook a major overhaul of their supply chain and redefined relevant teams and human resources. As a result performance was under par. In 2010 because of a more accommodative environment, as well as the completion of internal process reengineering, the acquired brands achieved significant improvements. Same store sales growth and revenue growth were above average. At the same time various business metrics also improved significantly, with higher per store productivity, stronger profitability, and improvement in operational efficiencies. It is worth noting that the Senda and Basto brands have more than doubled the sales value within the 3 years since the acquisition, and, with significantly improved profitability, are becoming major growth areas of the footwear business of the Group.

Our Hong Kong business improved significantly in 2010 with the economy recover continuously. Same store sales growth was very strong. Profitability also improved significantly. Due to the size of the Hong Kong market, future growth would be limited in our Hong Kong retail business, both in terms of sales growth and in terms of profitability improvement. However the strategic significance of our Hong Kong business should not be under-estimated. On the one hand, Hong Kong will continue to be a window to world fashion for the Mainland market. Our business in Hong Kong would help the Group to better understand fashion trends. On the other hand, the Hong Kong market is much more developed in retail management, marketing, and brand management than the Mainland market. The experience accumulated in our Hong Kong business would play an important role in guiding and improving our retail business in Mainland China. By leveraging the retail expertise and skills of our Hong Kong team, the Group will be better positioned to maintain our leadership in the Mainland market. This practice is a key component of our managerial culture in which we encourage all our employees to excel in their work through benchmarking and continuous learning.

Review of the sportswear business

After a correction that lasted more than a year, the sportswear business of the Group recovered and started to grow again in 2010. Same store sales growth rebounded to 5% levels, and profitability also improved significantly. Generally speaking the sportswear market in China is still at a stage when there are difficult corrections underway. With the sportswear section being downsized in many of the department stores, and temporary supply chain disruptions with certain brands, sales momentum in 2010 was under a lot of pressure. With continuous increase in cost especially in wages and social security, profitability was also at a risk of erosion. In this adverse environment the sportswear team of the Group implemented effective measures to build marketing capabilities, improve merchandising, and optimize inventory level and product mix. Their effort paid off nicely and we achieved healthy sales growth and at the same time improved all the major operational metrics.

In 2010 the Group ramped up the store network expansion process at a faster pace, especially in the third and fourth quarters. Net store openings totalled 793 for the year, which represented an increase of more than 25% compared with the number of stores at the end of 2009. There are three main reasons for the faster-than-expected store network expansion, as follows: First, in 2009 we focused more on optimizing the store mix and as a result the network was slightly downsized, which left room for growth opportunities in 2010; Second, first-tier sportswear brands are putting more focus on the China market and penetrating more aggressively into tier-three markets. As a result the brand companies are providing distributors with stronger support in opening new stores; Third, the lifestyle sub-brands of first-tier sportswear brands are growing rapidly in the China market due to strong demand from consumers.

In our view there are two major reasons why the sportswear market is still relatively weak: First it is still digesting the bubbles accumulated in the super-normal growth in the past few years; Second the China market is still not a mature one and currently at a stage when several structural issues are being experimented and explored, which handicapped growth in the short term. The industry is actively exploring new forms of retail when the retail channel and retail environment keep changing. A diversification of retail formats would help accommodate differentiated consumer demand in order to increase market penetration. With increasingly sophisticated consumer groups, more acceptance and experience with a casual and sporty lifestyle, and fast pace of pay raises for low income workers, it is our view that the China sportswear market will continue to increase penetration and broaden its consumer base, which would lead to long-term sustainable growth of this market. As a leading retailer in this market the Group is committed to maintaining our competitive edge by improving our own operational, managerial and marketing capabilities. At the same time we are also committed to putting in more effort and resources in developing new markets, exploring new business formats, and nurturing new skill sets, the combination of which would lay a solid foundation for long-term development of the Group.

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 and operational metrics of the Group. In 2010 the sportswear segment contributed 38.2% of the total revenue of the Group, lower than the 40.6% level last year.

In our sportswear business we only involved in distribution and retailing, while in the footwear business we operate along the whole value chain. Accordingly the sportswear business segment has significantly lower profitability, including gross margins and operating margins. Meanwhile, without involvement in manufacturing, the sportswear business has faster inventory turnover than the footwear business. The store format is also different in the sportswear business as compared with the footwear business. Generally speaking the sportswear stores are located on higher floors in department stores, with a larger size and higher sales volume on a per store basis. As a result the concessionaire rate is usually lower for sportswear stores and expenses such as staff costs are also lower as a percentage of sales. With the footwear business continuing to take 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.

We expect the footwear business to grow faster than the sportswear business in the next few years: First, the footwear business is the core business of the Group. Thus both management attention and resources will be more focused on developing the footwear business; Second, as discussed earlier, the sportswear market in China is still in a phase when structural adjustments are underway. As a result overall growth will be hindered when compared with the footwear market; Third, the footwear business of the Group potentially has more growth opportunities because vertically we operate along the whole value chain and horizontally we have multiple brands and multiple target segments. In our view the changes in business mix, driven by different growth rates, are desirable changes that fit into the strategic objectives of the Group.

Within the footwear segment, there are two angles to look at the mix of business: First, there is the mix between new brands and core existing brands. Most of the new brands are still in the early stages within their respective lifecycles, with a stronger growth profile than core existing brands. Revenue contribution from the new brands will continue to rise, on a relative basis. From a static point of view, because the new brands have lower profitability and operational efficiencies, when they grow faster than the core brands there will be pressure on overall business metrics of the footwear business. From a dynamic viewpoint, as the new brands improve their profitability and efficiencies at a faster-than-average pace, eventually they would help the overall footwear segment maintain healthy profit margins and operational efficiencies; Second, there is the mix between new stores and existing stores. New stores generally have lower productivity than existing stores because it takes time to cultivate the customer base. For the more mature brands, new stores usually are suburban or community stores not located in the core commercial areas of large cities, or in lower tier cities. The difference in customer base also determines that new stores usually have lower productivity than older stores in the core commercial areas in tier-one and tier-two cities. It is always a challenge for retailers like us to balance long-term growth and short-term profitability, which naturally requires a dynamic and holistic view. We believe our current growth strategy, i.e. to place equal weight on both network expansion and productivity improvement, fits into the long-term objective of the Group and will eventually help us maintain profitability in the long run.

The revenue contribution from Hong Kong and Macau, as a percentage of the overall footwear business, decreased slightly from last year. Although same store sales growth was very strong, there was no addition to the store network, which limited overall sales growth. 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 Mainland China.

Within the sportswear business, the proportional business from first-tier brands continued to increase. The reason why we are focusing on first-tier brands is on the one hand due to much higher sales volume on a per store basis and thus stronger profitability of Nike and Adidas compared with second-tier brands, and on the other hand, first-tier brands have stronger product lines, R&D and brand equity which would enable sharper market penetration and sustainable growth compared with other brands with similar price points. We opened almost 800 new stores, net, in the sportswear business in 2010, the majority of which are first-tier brand stores. The lifestyle sub-brands of first-tier brands, such as Nike360 and Adidas Neo, are growing at a very strong pace. We expect the first-tier brand business to be a more important piece in our sportswear business portfolio in the next few years.

Changes in effective corporate income tax rate

The effective income tax rate was 17.0% in 2010, higher from last year, by about 5.5 percentage points. The main reason is some of our business entities in Mainland China are currently experiencing a period of normalization of tax rates due to the gradual expiration of preferential taxation policies. This is essentially a change of the taxation environment since China implemented the new 2008 income tax act, which affects the vast majority of businesses in the industry, and not directly related to the business operations of the Group.

He Zhong Apparel (Shenzhen) Limited ("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 rates to He Zhong will be 12% and 12.5% respectively. From 2013 He Zhong will be subject to the full income tax rate of 25%.

New Belle Footwear (Shenzhen) Limited ("New Belle"), a major entity for our footwear business in the Mainland China, 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 significantly every year, 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 at about 16.5%.

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

Inventory turnover

The inventory balance at the end of 2010 was RMB 4,859.1 million, up 24.1% from the balance of RMB 3,915.9 million at the end of 2009, while sales volume was up 20.0% in 2010 compared with last year. A major reason why inventory balance increased faster than sales growth was because of the different timing of peak sales seasons. The Chinese New Year in 2010 was later than usual, resulting in a later-than-usual peak sales season in late January and early February. Accordingly inventory balance peaked when we moved into January 2010. The Chinese New Year in 2011 was more than 10 days earlier than the prior year, and so was the peak sales season. Merchandising and procurement was shifted earlier accordingly. As a result inventory balance peaked at the end of December 2010, which created a relatively high increase on a year-on-year basis.

The average inventory turnover days were down, however, from 161 days for 2009 to 153 days for 2010. The main reason is because at the end of 2008 the inventory balance was abnormally high, which negatively affected the inventory turnover calculation for 2009. Inventory level were relatively low at the end of 2009 and back to normal at the end of 2010, which had positive effects on the inventory turnover calculation for 2010.

From an operational perspective the retail of footwear and sportswear products requires a certain level of inventory maintained at retail stores. When there is too much inventory gross margins would generally hurt. When inventory is too low we lose on potential sales opportunities. 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. A lower inventory level as a percentage of sales is not always in the best interest of the operator. Currently inventory turnover ratios of the Group are at an optimal level, with satisfactory product mix as well. Next step the Group plans to pursue an active penetration and expansion strategy in relevant segments, 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 inventory preparation. As a result we do not expect inventory turnover days to continue to decrease.

The impact of higher wage cost

We are in a labour-intensive industry, both in shoes manufacturing and in retail services, which faces real and direct challenges in the current human resource environment.

The first challenge for us is labour availability. This is mainly a regional issue for the more developed coastal areas such as the Pearl River Delta. The shortage of labour in this area is largely due to a change of demographics and less willingness for rural workers to migrate far away from home. To mitigate the risk of availability we are proactively improving the compensation packages for our employees to keep market competitiveness. At the same time, we started the process of strategic relocation of manufacturing facilities a few years ago and just opened a new factory in Suzhou Anhui Province, which potentially could help alleviate the imbalance of supply and demand of labour in the long run. This new factory is still small at this stage and not expected to have a significant contribution to the overall manufacturing of the Group. We plan to gradually ramp up capacity of the facility on a practical and prudent basis in the next three to five years.

Another challenge is the persistent increase in wage cost, especially with manufacturing workers and frontline sales associates. In our view, it is not only an irreversible trend but also a societal necessity for the low income groups to keep getting salary raises at a fairly fast pace. As a consumer retail company we would like to have a larger target customer group in the long run. Short term, though, from a managerial point of view, there will be significant pressure on the wage front, and more pronounced with our retail arm. In the next two years, we expect wages to increase faster than improvement in store productivity. As a result the ratio of compensation expenses as a percentage of sales is expected to go up. But the Group firmly believes that it is critical for us to continue to raise the wages for our frontline workers, which will ensure high quality of services and improvement of productivity. The fast ramp-up of wage cost is only a phenomenon that relates to the current stage of development in China. Once the average wage of low income workers reaches a certain level the growth rate will slow down. The improvement of operational efficiency and managerial quality, however, is a long-term accumulative process without limits. The continuous pursuit of improvement in managerial details and efficiency will help us maintain profitability in the long run.

The cost environment in Mainland China keeps changing, placing more pressure on businesses in all industries, and we are no exception. The run-up in cost is associated with an unavoidable phase in an economy when morphing into maturity. This may also present a rare opportunity for various industries to reinvent themselves and become more efficient and more sophisticated. We always have this managerial culture that encourages our employees to continue learning and always try to be number one. In the current environment we will continue to work on every detail and improve our managerial capabilities in an effort to maintain our leadership position in the industry and enhance our competitive edge.

Integration of 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. With the Senda brand we also strengthened coverage in the men's footwear segment.

- Through the acquisition of Mirabell, the Group obtained ownership of Joy & 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 obtained coverage in the casual and outdoors footwear segment.

- 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.

Within the acquired businesses there are multiple brands, each at a specific stage in their respective lifecycles, which requires a differentiated approach in the evaluation of their businesses. Overall as a group the development of the acquired brands meets our expectations. Based on an overhaul of the business model the new brands are quickly expanding the store network, ramping up sales volume and improving profitability.

The two major brands under the Senda umbrella, Senda and Basto, continued to grow their store network this year at a fast pace, with a combined net addition of over 500 stores for the year. At the same time there was a significant improvement to average store productivity, which brought down expense ratios. There was significant improvement in the supply chain as well as operational management, which contributed to higher gross margins. Within three years since the acquisition, the Senda business has more than doubled in sales volume. Profit contribution increased significantly. Looking forward, first, since the productivity of Senda and Basto stores is still low there is ample potential for improvement. To achieve this we need to continue to improve product R&D, marketing and retail operations. Second, because these two brands are positioned slightly lower than our middle-end brands such as Belle, the size of their target segment should be much larger. With under 1,000 stores for each brand there is still a lot of untapped opportunities.

For company-owned brands under the Millie's and Mirabell umbrella, we have completed the supply chain overhaul in which we applied the vertically integrated business model of our core footwear business. With Joy & Peace and Millie's, we observed significant improvement in various business metrics, on the back of strong top-line growth in 2010. First, same store sales growth was strong, which lifted productivity on a per store basis and helped lower expense ratios. Second, a flexible supply chain enabled more efficient merchandising and inventory management, which helped reduce inventory turnover days significantly. Third, a market-driven R&D approach and supply chain model ensured a higher portion of products in strong demand, which helped improve gross margins. These mid-to-high-end brands are very different from low-to-middle-end brands such as Senda in terms of market size and operational model. For these brands, currently we are more focused on brand building, coordinated marketing and enhanced R&D. A reenergized brand centered on product will help gradually cultivate the customer base and place a solid foundation for long-term business development. We are committed to investing in building these brands and gradually ramp up their retail network in the next three years.

With the casual footwear business we started to speed up the new store opening process, according to plans articulated in the first half of 2010. We added more than 200 stores for the casual footwear business during the year. As we continue to ramp up the store network we are also actively allocating more investment in human resources, teambuilding and brand marketing. With the presence of more retail stores, quality products, effective marketing and detail-oriented services, we will be in a position to help consumers experience and understand casual and outdoors brands in an effort to effectively enlarge the target customer base. Various business metrics improved significantly in 2010, with higher gross margins, improved inventory turnover, lower expense-to-sales ratios, and thus higher profitability. Currently for these brands productivity is still relatively low, which in our view is predominantly due to their relative stages of development in China. The Group is taking active measures to differentiate our approach in terms of store format, brand combination and product mix for specific brands and specific markets. We are also experimenting with new categories for certain brands and planning on more involvement in R&D and manufacturing in an effort to provide more flexibility in the supply chain, which would in turn help improve productivity in the retail stores.

Prospects

In reviewing the past five years of our business development, generally speaking the Group achieved fast, steady and quality growth. There are two major revelations: First, new brands and new businesses, on a relative basis, achieved faster growth and bigger gains, which enabled the Group to enter new market segments and cover existing market segments with differentiated offerings; Second, the core existing business also achieved fast and healthy growth, but the main driver was store network expansion. Productivity gains were relatively slow, on a per store basis.

Looking forward, in order to ensure long-term sustainable growth of the Group, we will actively pursue new growth opportunities, explore new sales channels and store formats, and continue to look for new brands and new market segments that fit into our business strategy. On the one hand as an industry leader we have the responsibility to assume a leading role in exploring new business models. On the other hand, the most valuable piece of our core competency is the retail network and management team throughout the country. On this platform we are in a better position compared with competition to introduce new brands and grow new businesses. From our experience in the past few years, both new brands cultivated internally such as Tata and brands acquired externally such as Basto were able to leverage our business platform and grow quickly, as long as the brands had clear market positioning and strong supply chain support. In the future we will be open-minded in breeding new brands, entering new businesses, and developing new growth opportunities. We are ready to invest more in new initiatives, which might put short-term pressure on the business metrics of the Group such as profitability. From a long-term perspective we believe these investments are not only necessary but also constructive.

With the existing business portfolio, we will maintain a fast and appropriate pace of network expansion. This is on the one hand determined by market opportunities brought about by the channels moving quickly into lower tier markets. On the other hand the penetration level of acquired brands and newly developed brands in our portfolio is still low compared with more mature brands, leaving plenty of opportunities to fill the gap. As we continue to open new stores, more of our managerial focus will be shifted to improving store productivity. During a period of fast store opening there will be significant pressure on average sales volume per store because of differences in store maturity, store location and tier of cities. With the changes in the cost environment in China the ability to continuously improve store productivity will be the only solution for retail businesses to alleviate the cost pressure and maintain competitiveness. At the same time, the continuous increase in household disposable income, especially with significantly higher wages for low-and-middle-income groups, will also help create a better environment with stronger consumer demand, and make it possible for us to improve productivity. As to exactly how to improve productivity, this has been a topic we have been studying, with a clear focus on managing the details and processes in order to continuously improve operational management through practice. We are also actively learning from experts and established knowledge bodies including our Hong Kong business and Hong Kong team. A holistic approach is being deployed to optimize store-level operations and improve store productivity.

The key component in our effort to strengthen retail management and improve productivity would be our employees. The front line sales associates in over ten thousand stores are the direct drivers of the sales of the Group, and also critical catalysts in the improvement of store productivity. Only when each and every sales associate comes to work everyday with enthusiasm, interacts with customers in a confident and warm manner, and attends to every detail, can we ensure our service quality and competitiveness of our stores, which would in turn help enhance store productivity. Based on this understanding we will continue to invest more in human resources, raising wages for our employees at a steady pace and strengthening on-the-job training. We are also committed to putting in more vigor in cultivating the corporate culture. We are asking the management team at all levels to act as role models for our front-line employees, truly connect with them, and support them with action. By implementing the "we are together" managerial philosophy we believe we are in a position to help employees at all levels to better realize individual values and at the same time create more value for our customers, for the company and for the society.

Sheng Baijiao
CEO and Executive Director

23 March 2011

Financial Review

The Group continued to benefit from steady growth. During the year ended 31 December 2010, the Group recorded revenue and operating profit of RMB23,705.9 million and RMB3,962.5 million respectively, achieving growth rate of 20.0% and 40.3% respectively. Operating profit before other income and other gains/losses increased by 38.5% to RMB3,902.7 million when compared with last year. The profit attributable to the Company's equity holders increased by 35.2% to RMB3,424.5 million.

Revenue

The Group's revenue increased by 20.0% to RMB23,705.9 million in 2010 from RMB19,761.6 million in 2009. This was mainly attributable to the continually steady growth of sales generated from the footwear business as compared with last year. Sales from footwear business and sportswear business increased by RMB2,916.2 million and RMB1,028.1 million respectively, from RMB11,733.2 million and RMB8,028.4 million in 2009 to RMB14,649.4 million and RMB9,056.5 million in 2010.

	Year ended 31 December				
	2010		2009		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**13,383.3**	**56.5%**	10,736.9	54.3%	24.6%
Distribution brands	**1,044.2**	**4.4%**	781.9	4.0%	33.5%
OEM	**221.9**	**0.9%**	214.4	1.1%	3.5%
	14,649.4	**61.8%**	11,733.2	59.4%	24.9%
Sportswear					
First-tier sportswear brands*	**7,800.2**	**32.9%**	6,695.7	33.8%	16.5%
Second-tier sportswear brands*	**1,148.7**	**4.8%**	1,238.5	6.3%	(7.3%)
Other sportswear business	**107.6**	**0.5%**	94.2	0.5%	14.2%
	9,056.5	**38.2%**	8,028.4	40.6%	12.8%
Total	**23,705.9**	**100.0%**	19,761.6	100.0%	20.0%

Unit: RMB million

Note:

* *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.*

Profitability

On account of the continuous growth of the Group's businesses, operating profit increased by 40.3% to RMB3,962.5 million. Operating profit before other income and other gains/losses increased by 38.5% to RMB3,902.7 million when compared with last year. The profit attributable to the Company's equity holders increased by 35.2% to RMB3,424.5 million.

	Year ended 31 December					
	2010		2009		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Revenue	**14,649.4**	**9,056.5**	11,733.2	8,028.4	24.9%	12.8%
Cost of sales	**(4,690.6)**	**(5,806.9)**	(4,057.6)	(5,162.4)	15.6%	12.5%
Gross Profit	**9,958.8**	**3,249.6**	7,675.6	2,866.0	29.7%	13.4%
Gross profit margin (%)	**68.0**	**35.9**	65.4	35.7		

Cost of sales increased by 13.9% from RMB9,220.0 million in 2009 to RMB10,497.5 million in 2010. Gross profit increased by 25.3% to RMB13,208.4 million in 2010 from RMB10,541.6 million in 2009. Gross profit in our footwear segment increased by 29.7% to RMB9,958.8 million in 2010 from RMB7,675.6 million in 2009 while gross profit in the sportswear segment increased by 13.4% to RMB3,249.6 million in 2010 from RMB2,866.0 million in 2009.

The Group's gross profit margin as a whole increased to 55.7% in 2010 from 53.3% in 2009. During the year, the gross profit margins of footwear business and sportswear business were 68.0% and 35.9% respectively. Compared to last year, the gross profit margin of the footwear business increased by 2.6 percentage points, there are two main reasons for the increase: firstly, there was a significant improvement in the economic environment and the retail market, with stronger consumer sentiment and less discounting in 2010, and secondly, the acquired businesses improved significantly with noticeably higher gross margins. No material changes in that of the sportswear business was observed. Owing to differences in the respective business models, sportswear products generally have lower gross profit margin than our footwear products.

Selling and distribution expenses in 2010 amounted to RMB7,685.8 million (2009: RMB6,284.4 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retail outlets' decorations and advertising and promotional expenses. General and administrative expenses in 2010 amounted to RMB1,619.8 million (2009: RMB1,438.4 million), primarily consisting of management and administrative personnel salaries and depreciation charges on office premises and office equipments. In terms of percentage, the ratio of selling and distribution expenses and general and administrative expenses to revenue was 32.4% (2009: 31.8%) and 6.8% (2009: 7.3%) respectively.

Interest income increased to RMB132.4 million in 2010 from RMB113.1 million in 2009. The increase is mainly due to the increase in overall bank deposit interest rates and proportion of structured bank deposits with higher interest rate earned in 2010.

Interest expense decreased to RMB1.7 million in 2010 from RMB65.8 million in 2009, as a result of the repayment of bills payable in early 2010 and obtaining new bank borrowings in late 2010. During the year ended 31 December 2010, Renminbi appreciated against Hong Kong dollar by 3.5%, together with the fact that the Group's bank borrowings are in terms of Hong Kong dollar, the Group recorded a net foreign exchange gain of approximately RMB31.9 million (2009: net foreign exchange loss of RMB11.8 million).

Income tax expense in 2010 amounted to RMB700.6 million (2009: RMB329.9 million). The effective income tax rate increased by 5.5 percentage points to 17.0% in 2010 from 11.5% 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 during the year. 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 31 December 2010, the working capital of the Group was RMB10,713.3 million, representing an increase of 11.4% as compared to 31 December 2009. As at 31 December 2010, the Group's gearing ratio was 3.3% (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 4.1 times (31 December 2009: 4.1 times) (the current ratio is calculated using the following formula: Current Assets / Current Liabilities).

During the year, net cash generated from operations decreased by RMB187.1 million to RMB3,049.9 million in 2010 from RMB3,237.0 million in 2009.

Net cash used in investing activities for the year ended 31 December 2010 was RMB232.4 million (2009: RMB3,525.9 million). During the year, the Group invested approximately RMB1,198.0 million, RMB1,015.0 million and RMB40.6 million on payments and deposits for purchase of property, plant and equipment (including retail outlets' decorations), net deposit in structured bank deposits, and payments and deposits for purchase of intangible assets, leasehold land and land use rights respectively. Net uplift of term deposits with initial terms of over three months of approximately RMB1,414.8 million, net proceeds from sale of non-current assets held for sale of approximately RMB592.6 million and net proceeds from disposal of other property, plant and equipment of approximately RMB13.7 million partly offset the above investments.

During the year, net cash used in financing activities was RMB1,914.6 million (net cash generated in 2009: RMB85.1 million), mainly attributable to repayments of bills of exchange of RMB1,115.3 million, the 2009 final dividend payment of RMB337.4 million and the 2010 interim and special dividend payment of RMB1,265.1 million, and partly offset by net proceeds from borrowings of RMB691.1 million.

As at 31 December 2010, the Group held cash and cash equivalents, structured bank deposits and term deposits with initial terms of over three months totaling RMB5,893.2 million (31 December 2009: RMB5,792.4 million), and was in a net cash position of RMB5,212.5 million (31 December 2009: RMB4,677.1 million) after netting off the short-term borrowings of RMB680.7 million (31 December 2009: bills payable of RMB1,115.3 million).

Pledge of assets

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

Contingent Liabilities

As at 31 December 2010, the Group had no material contingent liabilities.

Subsequent Events

There have been no matters that have occurred subsequent to the year-end date which have significantly affected, or may significantly affect the Group's operations, results or state of affairs as at 31 December 2010.

Human Resources

As at 31 December 2010, the Group had a total of 87,619 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.

REPORT OF THE DIRECTORS

The board of directors (the "Board") have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2010.

Principal Activities

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

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

Results and Dividends

The profit of the Group for the year ended 31 December 2010 and the financial position of the Group and of the Company as at that date are set out in the financial statements on pages 45 to 112.

The Board declared on 24 August 2010 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. The interim dividend and special dividend was paid on 27 October 2010.

The Board recommended the payment of a final dividend for the year ended 31 December 2010 of RMB6.0 cents (equivalent to HK7.13 cents) per share, totaling RMB506,054,000, and a special dividend of RMB10.0 cents (equivalent to HK11.88 cents) per share, totaling RMB843,423,000.

The translation of RMB into Hong Kong dollars is made for illustration purpose only, at the rate of HK$1.00=RMB0.84154. The actual translation rate for the purpose of dividend payment in Hong Kong dollars will be the official fixing exchange rate of RMB against Hong Kong dollars as quoted by the People's Bank of China on 26 May 2011, being the date on which the dividend is proposed to be approved by the shareholders of the Company at its annual general meeting.

Closure of Register of Members

The final and special dividends will be payable on or about 14 June 2011 to the shareholders whose names appear on the register of members of the Company on 26 May 2011. The register of members of the Company will be closed from Monday, 23 May 2011 to Thursday, 26 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned proposed final 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 Friday, 20 May 2011.

Distributable Reserves

As at 31 December 2010, distributable reserves (including share premium and retained earnings) of the Company amounted to RMB11,704,950,000 (2009: RMB10,764,585,000). The movements on distributable reserves during the year are set out in notes 33 and 34 to the financial statements.

Major Customers and Suppliers

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

Purchases from the Group's five largest suppliers accounted for approximately 53.64% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 27.47% of the Group's purchases.

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

Property, Plant and Equipment

During the year, the Group acquired property, plant and equipment of approximately RMB968,303,000 (2009: RMB533,785,000). Details of the movements in property, plant and equipment are set out in note 16 to the financial statements.

Share Capital

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

Pre-emptive Rights

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

Directors

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

Executive Directors

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

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

* *Resigned as an Executive Director effective from 24 March 2011*

In accordance with article 87 of the Company's articles of association, Ms. Hu Xiaoling (a Non-executive Director), Mr. Chan Yu Ling, Abraham (an Independent Non-executive Director) and Dr. Xue Qiuzhi (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Ms. Hu Xiaoling, Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi are eligible to, and have elected to, offer themselves for re-election as Directors at the forthcoming annual general meeting.

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

The Board has proposed the appointment of Mr. Sheng Fang as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Sheng Feng are contained in the circular to shareholders and notice of annual general meeting dated 21 April 2011 despatched to shareholders of the Company together with this report.

Directors' Service Contracts

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

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

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

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

As at 31 December 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 of Hong Kong Limited 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 on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Interests in issued shares of the Company

Name of Director	Capacity/ Nature of Interest	Number of shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Tang Yiu	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%
Mr. Sheng Baijiao	Interest in controlled corporation *(Note 3)*	657,750,000 (L)	7.80%
	Beneficial Interest	75,000,000 (L)	0.89%

Notes:

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

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

(3) These Shares were held by Handy Limited ("Handy"), a limited liability company incorporated in the British Virgin Islands. Mr. Sheng Baijiao was interested in 56.4% of the issued share capital of Handy. Effective from 13 April 2011, Mr. Sheng Bajiao transferred his entire interest in Handy into a trust, of which he is a founder and a beneficiary.

(ii) Interests in underlying shares of the Company

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

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

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

As at 31 December 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** *(Note 1)*	**Approximate percentage of interest in the Company**
Handy	Beneficial Interest	657,750,000 (L)	7.80%
Essen Worldwide Limited	Beneficial Interest	618,625,000 (L)	7.33%
Profit Leader	Beneficial Interest	2,745,375,000 (L)	32.55%
Merry Century	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%
Golden Coral Holdings Limited	Interest in controlled corporation *(Note 2)*	2,745,375,000 (L)	32.55%

Notes:

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

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

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or were recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares of underlying shares of the Company as at 31 December 2010.

Share Option Scheme

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

Share Option Scheme (continued)

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

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

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

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

Sufficiency of Public Float

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

Directors' Interests in Contracts

No contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, were subsisting during or at the end of the financial year ended 31 December 2010.

Bank Borrowings

Particulars of bank borrowings of the Company and of the Group as at 31 December 2010 are set out in note 32 to the financial statements.

Connected Transaction

The company did not (i) have any outstanding continuing connected transaction or (ii) enter into any connected transaction for the year ended 31 December 2010.

Five-year Financial Summary

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

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**23,705,890**	19,761,634	17,855,785	11,671,858	6,238,560
Gross profit	**13,208,363**	10,541,611	9,228,413	5,902,466	3,500,745
Gross profit margin	**55.72%**	53.34%	51.68%	50.57%	56.11%
Operating profit	**3,962,503**	2,824,165	2,279,303	1,754,915	1,024,624
Operating profit margin	**16.72%**	14.29%	12.77%	15.04%	16.42%
Profit attributable to equity holders of the Company	**3,424,531**	2,533,499	2,010,435	1,979,106	976,569
Structured bank deposits, term deposits, bank balances and cash	**5,893,179**	5,792,371	2,984,605	5,213,167	302,095
Bank loans, overdraft and bills payable	**680,744**	1,115,253	503,488	200,000	819,182
Total assets	**20,832,032**	18,624,731	17,022,559	13,539,243	4,445,172
Total liabilities	**3,717,231**	3,301,730	3,591,208	1,502,882	1,811,208
Total equity	**17,114,801**	15,323,001	13,431,351	12,036,361	2,633,964

Retirement Schemes

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

Confirmation of Independence

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

Auditor

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

By order of the Board

Tang Yiu
Chairman

Hong Kong, 23 March 2011

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

During the year ended 31 December 2010, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as stated in Appendix 14 to the Listing Rules.

Board

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

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

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

* *Resigned as an Executive Director effective from 24 March 2011*

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

Board (continued)

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

	Meetings attended/held		
	Board	Audit Committee	Remuneration Committee
Mr. Tang Yiu *(Chairman)*	4/4	N/A	N/A
Mr. Sheng Baijiao *(Chief Executive Officer)*	4/4	N/A	2/2
Mr. Yu Mingfang^	4/4	N/A	N/A
Mr. Tang King Loy	4/4	N/A	N/A
Mr. Gao Yu#	4/4	N/A	N/A
Ms. Hu Xiaoling#	4/4	N/A	N/A
Mr. Ho Kwok Wah, George*	4/4	4/4	N/A
Mr. Chan Yu Ling, Abraham*	4/4	4/4	2/2
Dr. Xue Qiuzhi*	4/4	4/4	2/2

^ *Resigned as an Executive Director effective from 24 March 2011*

Non-executive Directors

* *Independent Non-executive Directors*

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

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

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

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

Appointment and Re-election of Directors

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering the appointment of new Directors. Currently, all Non-executive Directors and Independent Non-executive Directors are appointed for a specific term of three years. The Board has proposed the appointment of Mr. Sheng Fang as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Sheng Fang are contained in the circular to shareholders and notice of annual general meeting dated 21 April 2011 despatched to shareholders of the Company together with this report.

In accordance with article 87 of the Company's articles of association, Ms. Hu Xiaoling (a Non-executive Director), Mr. Chan Yu Ling, Abraham (an Independent Non-executive Director) and Dr. Xue Qiuzhi (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Ms. Hu Xiaoling, Mr. Chan Yu Ling, Abraham and Dr. Xue Qiuzhi are eligible to, and have elected to, offer themselves for re-election as Directors at the forthcoming annual general meeting.

Chairman and Chief Executive

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

Audit Committee

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

The Audit Committee met four times in the year of 2010. All members of the Audit Committee attended the meetings. Major work completed by the Audit Committee during the year includes:

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

Remuneration Committee

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

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

The Remuneration Committee met twice in the year of 2010. During the meeting, the Committee reviewed the remuneration policy of the Group for the year of 2010. All members of the Remuneration Committee attended the meetings.

Directors' and Auditor's Responsibilities for the Financial Statements

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

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

Internal Control

The Board is responsible for maintaining sound and effective internal controls to safeguard the shareholders' investment and the Company's assets. The Board convenes meetings with the Audit Committee to conduct regular reviews of the effectiveness of the internal control system of the Company and the Group. In respect of the year ended 31 December 2010, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, including the financial, operational and compliance controls, risk management functions, adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget. The Directors are of the view that the existing system of internal control is effective and adequate to the Group.

Auditor's Remuneration

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

	2010
	RMB million
Audit services	8.4
Audit-related services	0.7
Non-audit services	0.3
Total	9.4

Model Code for Securities Transactions

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

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

Social Responsibility

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

Investor and Shareholder Relations

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

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

Executive Directors

Mr. Tang Yiu ("Mr. Tang"), aged 76, is our Executive Director, Chairman of our Company and the founder of our Group. With over 30 years of experience in the footwear manufacturing industry, Mr. Tang is primarily responsible for our Group's overall strategic planning. He is currently the Chairman of The Federation of Hong Kong Footwear Limited, a committee member of the Chinese People's Consultative Conference in the Sanshui District of Foshan in the PRC and a committee member of the Unified Association of Kowloon West Limited. Mr. Tang has also been awarded with the Certificate of Foshan Honorary Citizenship by the Foshan Municipality in the PRC in November 2004. Mr. Tang is the father of Mr. Tang King Loy, an Executive Director. Mr. Tang holds directorships in certain subsidiaries of the Company. Mr. Tang is also a director of Profit Leader Holdings Limited and Merry Century Investments Limited, both of which have an interest in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under Part XV of the Securities and Futures Ordinance ("SFO"). Please refer to pages 31 and 32 for the disclosure of the interest in the Shares and underlying Shares of the Company of Mr. Tang, Profit Leader Holdings Limited and Merry Century Investments Limited under Part XV of the SFO.

Mr. Sheng Baijiao ("Mr. Sheng"), aged 58, is our Executive Director and the Chief Executive Officer of our Company. Mr. Sheng joined our Group in 1991 and has almost 20 years of experience in the footwear industry. Mr. Sheng is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Prior to joining our Group, Mr. Sheng worked at the China Merchants Shekou Industrial Zone Light & Textile Industries Development Company (招商局蛇口工業區輕紡開發公司). Mr. Sheng is currently the Vice Chairman of the China Leather Industry Association (中國皮革工業協會) and the Chairman of the Shenzhen Leather and Shoes Association(深圳市皮革行業協會). Mr. Sheng holds directorships in certain subsidiaries of the Company. Mr. Sheng was also a shareholder and a director of Handy Limited, which had an interest in the Shares and underlying Shares of the Company. Please refer to pages 31 and 32 for the disclosure of the interest in the Shares and underlying Shares of the Company of Mr. Sheng and Handy Limited under Part XV of the SFO.

Mr. Yu Mingfang ("Mr. Yu"), aged 52, is our Executive Director. Mr. Yu joined our Group in 2005 and has over 15 years of experience in the management of footwear retail business. Mr. Yu is primarily responsible for the operation management of our footwear retail business. He is currently a member of the Beijing Federation of Industry and Commerce(北京市工商聯合會) and the Beijing Chamber of Commerce (北京市商會). Mr. Yu holds a degree in business administration from Beijing Administrative College (北京行政學院) and another degree in corporate management from the Capital University of Economics and Business (首都經濟貿易大學). Mr. Yu holds directorships in certain subsidiaries of the Company. Mr. Yu is also a director of Golden Coral Holdings Limited, which has an interest in the Shares and underlying Shares of the Company. Effective from 24 March 2011, he resigned as an Executive Director of the Company.

Mr. Tang King Loy, aged 40, is our Executive Director and Senior Vice President. Mr. Tang King Loy has joined our Group since 1999 and has over 10 years of experience in footwear industry. Mr. Tang King Loy is primarily responsible for implementation of decisions and policies in regard to the Group's overall business plan as approved by the board of directors and the Chief Executive Officer, as well as the management of footwear business. Mr. Tang King Loy graduated from The University of Hong Kong with a Bachelor's degree of science and a Master's degree in Physics. He is currently an executive director of The Federation of Hong Kong Footwear Limited. Mr. Tang King Loy has been appointed as one of the authorized representatives of the Company. Mr. Tang King Loy is a son of Mr. Tang, the Chairman and Executive Director. Mr. Tang King Loy holds directorships in certain subsidiaries of the Company.

Non-executive Directors

Mr. Gao Yu ("Mr. Gao"), aged 37, is our Non-executive Director. Mr. Gao was appointed as a Director of our Company in August 2006. He is currently a Managing Director of the Private Equity Division of Morgan Stanley Asia Limited, primarily focusing on private equity investment activities in China, and a non-executive director of both China Dongxiang (Group) Co., Ltd. and Sparkle Roll Group Ltd, both being companies listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about 5 years. Mr. Gao has also worked in Donaldson, Lufkin & Jenrette Inc's Debt Capital Markets Group in New York. Mr. Gao graduated from Stanford University with a Master's degree in engineering-economic systems and operations research as well as from Tsinghua University in Beijing（北京清華大學）with dual Bachelor's degrees in engineering and economics.

Ms. Hu Xiaoling ("Ms. Hu"), aged 40, is our Non-executive Director. She was appointed as a Director of our Company in September 2005. She joined CDH Investments Management (Hong Kong) Limited in 2002 and is currently a Managing Director. She is also a non-executive director of SYSWIN Inc., whose shares are listed on the New York Stock Exchange and a non-executive director of SUNAC China Holdings Limited, whose shares are listed on the Hong Kong Stock Exchange. Ms. Hu is a director of Yingliu International Holdings Limited and Beijing Motie Book Co., Ltd. as well. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu worked for China International Capital Corporation Limited and Arthur Anderson. She is a fellow member of the Association of Chartered Certified Accountants. Ms. Hu graduated from Beijing Jiaotong University (北京交通大學), previously known as Northern Jiaotong University (北方交通大學), with a Master's degree in economics and accounting and Bachelor's degree in economics.

Independent Non-executive Directors

Mr. Ho Kwok Wah, **George** ("Mr. Ho"), FCPA (Practising), aged 52, is our Independent Non-executive Director, who was appointed as a Director of our Company in October 2006. Mr. Ho has over 20 years of experience in accounting, auditing and financial management. He is a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants. From 2001 to 2003, Mr. Ho was the president of The Hong Kong Institute of Accredited Accounting Technicians. Mr. Ho is currently the proprietor of George K.W. Ho & Co., Certified Public Accountants. Mr. Ho is also currently a director of The Taxation Institute of Hong Kong and the Hong Kong Commerce and Industry Associations Limited and the Hong Kong Shatin Industries and Commerce Association Limited. Mr. Ho is currently an independent non-executive director and an audit committee member of Town Health International Holdings Limited, as well as an independent non-executive director, chairman of audit committee, and member of remuneration and nomination committee of Sundart International Holdings Limited, both being companies listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Chan Yu Ling, Abraham ("Mr. Chan"), aged 50, is our Independent Non-executive Director. He was appointed as a Director of our Company in October 2006. Mr. Chan is a chartered engineer in the United Kingdom, a professional engineer in Ontario, Canada and is currently the Chairman of PuraPharm Corporation Limited. Mr. Chan is also currently a member of the Institution of Structural Engineers in the United Kingdom, Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference, the former President and Council Member of the Modernized Chinese Medicine International Association Limited, and a former part-time member of the Central Policy Unit of The Government of Hong Kong Special Administrative Region. Mr. Chan graduated from the University of Toronto in Canada with a Bachelor's degree in applied science in 1982.

Dr. Xue Qiuzhi ("Dr. Xue"), aged 59, is our Independent Non-executive Director. He was appointed as a Director of our Company in October 2006. Dr. Xue is currently an associate dean of the School of Management of Fudan University. Dr. Xue became a professor of Management of Fudan University in 1996. Dr. Xue was the head of the Department of International Business Administration of Fudan University from 1993 to 1999, and the head of the Department of Business Administration at the same university from 1999 to 2003. Dr. Xue graduated from Wuhan University with a Bachelor's degree in economics in 1982 and obtained a Master's degree in political economics and a Doctoral degree in economics from the Universite Libre de Bruxelles in Belgium in 1984 and 1988, respectively.

Senior Management

Mr. Song Xiaowu ("Mr. Song"), aged 46, is our deputy general manager who is primarily responsible for the production management of our Group. Mr. Song joined our Group in 1993 and has over 15 years of experience in the production management of footwear. Mr. Song was also previously responsible for various production processes such as production, technology and quality control.

Ms. Li Zhao ("Ms. Li"), aged 53, is our deputy general manager who is primarily responsible for the sales division of our sportswear retail business. Ms. Li joined our Group in 1995 and has left our Group in 1997. She subsequently rejoined our Group in 2005. Prior to joining our Group, Ms. Li worked for Shekou Light & Textile Industries Industrial Development Company（蛇口輕紡工業開發公司） and China Textile Academy（中國紡織科學研究院）. Ms. Li graduated from Donghua University（東華大學）with a Bachelor's degree in textile mechanical engineering. Ms. Li also holds a Master's degree in business administration from Shanghai Maritime University（上海海運學院）and a Master of Business Administration for Senior Management from the Shanghai Jiaotong University（上海交通大學）.

Company Secretary

Mr. Leung Kam Kwan ("Mr. Leung"), FCPA, aged 46, is our company secretary and the chief financial manager. Mr. Leung joined our Group in September 2004. Mr. Leung has over 20 years of experience in accounting, financial management and internal control. Prior to joining our Group, Mr. Leung had held various senior positions at listed companies in Hong Kong and had previously worked for KPMG. Mr. Leung graduated from City University of Hong Kong with a Bachelor's degree in accounting. He is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, as well as a member of the Hong Kong Institute of Chartered Secretaries.

Notes:

1 The Directors' interests in Shares and underlying Shares of the Company, if any, within the meaning of Part XV of the SFO as at 31 December 2010 are disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" in this report. Saved as disclosed above and in this annual report, none of the Directors has any other interest in Shares and underlying Shares within the meaning of Part XV of the SFO.

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

3 In accordance with article 87 of the Company's articles of association, Ms. Hu (a Non-executive Director), Mr. Chan (an Independent Non-executive Directors) and Dr. Xue (an Independent Non-executive Director) shall retire from office by rotation at the forthcoming annual general meeting. Ms. Hu, Mr. Chan and Dr. Xue are eligible to, and have elected to, offer themselves for re-election as Director at the forthcoming annual general meeting.

4 The board of directors has proposed the appointment of Mr. Sheng Fang as an Executive Director with effect from the forthcoming annual general meeting. Biographical details of Mr. Sheng Fang are contained in the circular to shareholders and notice of annual general meeting dated 21 April 2011 despatched to shareholders of the Company together with this report.

羅兵咸永道會計師事務所

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

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

We have audited the consolidated financial statements of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 45 to 112, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2011

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

		Year ended 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
Revenue	5	**23,705,890**	19,761,634
Costs of sales		**(10,497,527)**	(9,220,023)
Gross profit		**13,208,363**	10,541,611
Selling and distribution expenses		**(7,685,787)**	(6,284,374)
General and administrative expenses		**(1,619,832)**	(1,438,359)
Other income	6	**29,151**	14,855
Other gains/(losses)	7	**30,608**	(9,568)
Operating profit	8	**3,962,503**	2,824,165
Finance income		**164,325**	113,097
Finance costs		**(1,721)**	(77,643)
Finance income, net	9	**162,604**	35,454
Profit before income tax		**4,125,107**	2,859,619
Income tax expense	10	**(700,576)**	(329,928)
Profit for the year		**3,424,531**	2,529,691
Attributable to:			
Equity holders of the Company		**3,424,531**	2,533,499
Non-controlling interests		**—**	(3,808)
		3,424,531	2,529,691
Earnings per share for profit attributable to equity holders of the Company during the year	12		
- basic		**RMB40.60 cents**	RMB30.04 cents
- diluted		**RMB40.60 cents**	RMB30.04 cents

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit for the year	**3,424,531**	2,529,691
Other comprehensive (loss)/income		
Exchange differences	**(30,227)**	5,150
Other comprehensive (loss)/income for the year, net of tax	**(30,227)**	5,150
Total comprehensive income for the year	**3,394,304**	2,534,841
Attributable to:		
Equity holders of the Company	**3,394,304**	2,538,649
Non-controlling interests	—	(3,808)
	3,394,304	2,534,841

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000 (Restated)	As at 1 January 2009 RMB'000 (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	16	**2,353,665**	2,054,016	2,565,479
Leasehold land and land use rights	17	**628,632**	526,684	1,049,918
Investment properties	18	**11,682**	12,393	69,948
Intangible assets	19	**2,713,341**	2,794,274	3,360,271
Long-term deposits and prepayments	21	**657,057**	451,694	240,977
Deferred income tax assets	22	**191,667**	94,185	78,707
Structured bank deposits	25	**102,228**	—	—
		6,658,272	5,933,246	7,365,300
Current assets				
Inventories	23	**4,859,137**	3,915,901	4,228,964
Trade receivables	24	**2,119,676**	1,760,512	1,864,861
Deposits, prepayments and other receivables	21	**1,352,220**	608,896	578,829
Structured bank deposits	25	**2,732,177**	1,789,576	249,333
Term deposits with initial terms of over three months	26	**886,242**	2,312,247	408,676
Cash and cash equivalents	27	**2,172,532**	1,690,548	2,326,596
		14,121,984	12,077,680	9,657,259
Non-current assets held for sale	28	**51,776**	613,805	—
		14,173,760	12,691,485	9,657,259
Total assets		**20,832,032**	18,624,731	17,022,559

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

	Note	As at 31 December 2010 RMB'000	2009 RMB'000	As at 1 January 2009 RMB'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33	**83,056**	83,056	83,056
Share premium		**9,214,078**	9,214,078	9,214,078
Reserves	34	**7,817,667**	6,025,867	4,077,094
		17,114,801	15,323,001	13,374,228
Non-controlling interests		**—**	—	57,123
Total equity		**17,114,801**	15,323,001	13,431,351
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	22	**176,761**	229,360	296,313
Deferred income		**80,024**	—	—
Other non-current liabilities		**—**	1,899	49,676
		256,785	231,259	345,989
Current liabilities				
Trade payables	29	**1,105,766**	718,061	1,459,169
Bills payable	30	**—**	1,115,253	—
Other payables, accruals and other current liabilities	31	**961,700**	974,596	980,246
Short-term borrowings	32	**680,744**	—	503,448
Current income tax liabilities		**712,236**	262,561	302,356
		3,460,446	3,070,471	3,245,219
Total liabilities		**3,717,231**	3,301,730	3,591,208
Total equity and liabilities		**20,832,032**	18,624,731	17,022,559
Net current assets		**10,713,314**	9,621,014	6,412,040
Total assets less current liabilities		**17,371,586**	15,554,260	13,777,340

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2010

		As at 31 December	
		2010	2009
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Interests in subsidiaries	20	**10,142,163**	9,114,698
Current assets			
Amounts due from subsidiaries	20	**3,271,071**	1,920,781
Prepayments	21	**539**	617
Cash and cash equivalents	27	**2,887**	6,723
		3,274,497	1,928,121
Total assets		**13,416,660**	11,042,819
EQUITY			
Capital and reserves			
Share capital	33	**83,056**	83,056
Share premium	33	**9,331,889**	9,331,889
Reserves	34	**2,373,131**	1,432,766
Total equity		**11,788,076**	10,847,711
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	20	**1,624,063**	189,593
Other payables and accruals	31	**4,521**	5,515
Total liabilities		**1,628,584**	195,108
Total equity and liabilities		**13,416,660**	11,042,819
Net current assets		**1,645,913**	1,733,013
Total assets less current liabilities		**11,788,076**	10,847,711

Tang Yiu
Director

Sheng Baijiao
Director

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

	Capital and reserves attributable to equity holders of the Company									
	Share Capital RMB'000 (Note 33)	Share Premium RMB'000 (Note 33)	Merger Reserve RMB'000 (Note 34)	Statutory Reserves RMB'000 (Note 34)	Capital Redemption Reserve RMB'000	Exchange Reserve RMB'000	Retained Earnings RMB'000	Subtotal RMB'000	Non-controlling Interests RMB'000	Total RMB'000
For the year ended 31 December 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 year	**—**	**—**	**—**	**—**	**—**	**—**	**3,424,531**	**3,424,531**	**—**	**3,424,531**
Other comprehensive loss:										
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(30,227)**	**—**	**(30,227)**	**—**	**(30,227)**
Total comprehensive (loss) /income for the year	**—**	**—**	**—**	**—**	**—**	**(30,227)**	**3,424,531**	**3,394,304**	**—**	**3,394,304**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(1,602,504)**	**(1,602,504)**	**—**	**(1,602,504)**
	—	**—**	**—**	**—**	**—**	**—**	**(1,602,504)**	**(1,602,504)**	**—**	**(1,602,504)**
As at 31 December 2010	**83,056**	**9,214,078**	**3,531**	**407,895**	**70**	**(50,425)**	**7,456,596**	**17,114,801**	**—**	**17,114,801**
For the year ended 31 December 2009										
As at 1 January 2009	83,056	9,214,078	3,531	37,306	70	(25,868)	4,062,055	13,374,228	57,123	13,431,351
Profit/(loss) for the year	—	—	—	—	—	—	2,533,499	2,533,499	(3,808)	2,529,691
Other comprehensive income:										
Exchange differences	—	—	—	—	—	5,150	—	5,150	—	5,150
Total comprehensive income /(loss) for the year	—	—	—	—	—	5,150	2,533,499	2,538,649	(3,808)	2,534,841
Disposal of subsidiaries *(Note 36)*	—	—	—	—	—	520	—	520	(54,139)	(53,619)
Others	—	—	—	—	—	—	—	—	824	824
Transfer to reserves	—	—	—	370,589	—	—	(370,589)	—	—	—
Dividends	—	—	—	—	—	—	(590,396)	(590,396)	—	(590,396)
	—	—	—	370,589	—	520	(960,985)	(589,876)	(53,315)	(643,191)
As at 31 December 2009	83,056	9,214,078	3,531	407,895	70	(20,198)	5,634,569	15,323,001	—	15,323,001

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 RMB'000	2009 RMB'000
		Year ended 31 December	
Cash flows from operating activities			
Net cash generated from operations	35(a)	**3,049,876**	3,237,043
PRC income tax paid		**(389,060)**	(426,559)
Hong Kong profits tax paid		**(8,468)**	(3,122)
Macau income tax paid		**(3,454)**	(2,264)
Net cash generated from operating activities		**2,648,894**	2,805,098
Cash flows from investing activities			
Payments and deposits for purchase of property, plant and equipments		**(1,197,975)**	(533,785)
Payments and deposits for purchase of intangible assets and leasehold land and land use rights		**(40,587)**	(275,600)
Proceeds from sale of buildings, leasehold land and land use rights	35(b)	**—**	335,201
Proceeds from sale of non-current assets held for sale	35(b)	**592,637**	98,343
Proceeds from sale of other property, plant and equipment	35(b)	**13,749**	8,823
Proceeds from disposal of subsidiaries, net of cash disposed	36	**—**	279,874
Placement of structured bank deposits		**(2,800,000)**	(5,780,200)
Uplift of structured bank deposits		**1,785,000**	4,235,200
Uplift of / (new) term deposits with initial terms of over three months		**1,414,758**	(1,893,791)
Net cash used in investing activities		**(232,418)**	(3,525,935)
Cash flows from financing activities			
Dividends paid		**(1,602,504)**	(590,396)
Interest received		**113,814**	108,074
Interest paid		**(1,721)**	(65,824)
Proceeds from borrowings		**1,021,539**	176,316
Repayments of borrowings		**(330,436)**	(658,345)
Issue of bills of exchange		**—**	7,316,177
Repayments of bills of exchange		**(1,115,253)**	(6,200,924)
Net cash (used in) / generated from financing activities		**(1,914,561)**	85,078
Net increase / (decrease) in cash and cash equivalents		**501,915**	(635,759)
Cash and cash equivalents at beginning of year		**1,690,548**	2,326,596
Effect on foreign exchange		**(19,931)**	(289)
Cash and cash equivalents at end of year		**2,172,532**	1,690,548

The notes on pages 52 to 112 are an integral part of these consolidated financial statements.

1 Organization and principal activities

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated, and have been approved for issue by the Board of Directors on 23 March 2011.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

(a) Effect of adopting 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.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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 as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land and land use rights from operating lease to finance leases.

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:

	As at 31 December		As at 1 January
	2010	2009	2009
	RMB'000	*RMB'000*	*RMB'000*
Increase in property, plant and equipment	**200,201**	212,608	339,716
Increase in investment properties	**—**	—	47,490
Decrease in leasehold land and land use rights	**200,201**	212,608	387,206

The adoption of this amendment also resulted in an increase in depreciation of property, plant and equipment and investment properties of RMB8,536,000 and RMB634,000 respectively, and a decrease in amortization of leasehold land and land use rights of RMB9,170,000 for the year ended 31 December 2009.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

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

IFRSs (amendment)	Improvements to IFRSs 2009, except for 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

(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 1 (amendment)	Limited exemption from comparative IFRS 7 disclosures for first-time adopters (1)
IFRS 7 (amendment)	Disclosures - transfers of financial assets (2)
IFRS 9	Financial instruments (3)
Additions to IFRS 9	Financial instruments - financial liabilities (3)
IFRS 12 (amendment)	Deferred tax - recovery of underlying assets (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 2012.
(3) Effective for the Group for annual period beginning on 1 January 2013.

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

(a) Subsidiaries

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

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation (continued)

(c) Group companies

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

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

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

(iii) all resulting exchange differences are recognized in other comprehensive income.

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

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

2.4 Segment reporting

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

2 Summary of significant accounting policies (continued)

2.5 Property, plant and equipment

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

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

Leasehold land classified as finance lease commences amortization from the time when the land interest becomes available for its intended use. Amortization on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term of 30-70 years or useful life
Buildings	20-40 years
Leasehold improvements	1-5 years
Plant and equipment	10 years
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

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

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

2.6 Construction-in-progress

Construction-in-progress represents buildings, plant and machinery under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings, the costs of plant and machinery and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought to use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in Note 2.5 above.

2.7 Leasehold land and Land use rights

Leasehold land and land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for a period from 30 to 50 years. Amortization of leasehold land and land use rights is calculated on a straight-line basis over the period of leases.

2 Summary of significant accounting policies (continued)

2.8 Investment properties

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

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

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

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

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

2.9 Intangible assets

(a) Goodwill

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

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

(b) Acquired distribution contracts

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

(c) Acquired trademarks

Separately acquired trademarks are carried at cost less accumulated amortization and accumulated impairment losses, if any. Trademarks acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and accumulated impairment losses, if any. Amortization of trademarks that have definite useful lives is calculated using the straight-line method to allocate the costs of acquired trademarks over their estimated useful lives of 10 to 30 years.

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

(d) Computer software

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

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

2.10 Impairment of investments in subsidiaries and non-financial assets

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

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

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

2.11 Non-current assets held for sale

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

2.12 Inventories

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

2 Summary of significant accounting policies (continued)

2.13 Receivables

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

2.14 Financial assets

(a) Classification

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

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables include trade receivables, structured bank deposits, term deposits, cash and cash equivalents (see Notes 24 to 27) and other receivables in the consolidated balance sheet.

(iii) Available-for-sale financial assets

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

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

2 Summary of significant accounting policies (continued)

2.14 Financial assets (continued)

(b) Recognition and measurement

Loans and receivables are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(d) Impairment of financial assets

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

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

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

2.15 Cash and cash equivalents

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

2.16 Financial liabilities and equity

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

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

2 Summary of significant accounting policies (continued)

2.17 Borrowings and borrowing costs

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

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

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

2.18 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.19 Employee benefits

(a) Pension obligations

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

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

(b) Employee leave entitlements

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

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

(c) Bonus entitlements

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

2.20 Provisions

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

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

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

2 Summary of significant accounting policies (continued)

2.21 Operating leases (as a leasee)

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

2.22 Government incentives

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

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

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

2.23 Financial guarantee contract liabilities

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

2 Summary of significant accounting policies (continued)

2.24 Revenue and income recognition

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

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

(a) Sales of goods

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

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

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

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

2.25 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the Board of Directors of the Company.

(a) Foreign exchange risk

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

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK$ and US$ to mitigate the impact on exchange rate fluctuations. During the years ended 31 December 2009 and 2010, no forward foreign exchange contracts had been entered into by the Group.

The Group's assets and liabilities, and transactions arising from its operations primarily do not expose the Group to material foreign exchange risk as the Group's assets and liabilities are primarily denominated in the respective group companies' functional currency.

As any reasonable changes in the exchange rates of HK$ and US$ against RMB would not result in a significant change in the Group's results, no sensitivity analysis is presented for foreign exchange risk.

(b) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets except for the cash at bank and certain structured bank deposits and term deposits, details of which have been disclosed in Notes 25 to 27. The Group's exposure to changes in interest rates is also attributable to its bills payable and borrowings, details of which have been disclosed in Notes 30 and 32 respectively. Borrowings carry at floating rates expose the Group to cash flow interest-rate risk whereas those carry at fixed rates expose the Group to fair value interest-rate risk. The Group's bills payable were carried at fixed rates and exposed the Group to fair value interest rate risk. The Group's borrowings were carried at floating rates and expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure against cash flow interest rate risks as management considers that the Group's borrowings are relatively insignificant. As any reasonable changes in interest rate would not result in a significant change in the Group's results, no sensitivity analysis is presented for interest rate risk.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Credit risk

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

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

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

As at 31 December 2009 and 2010, substantially all the bank balances, structured and term deposits with banks as detailed in Notes 25 to 27 are held in major financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

(d) Liquidity risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

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

	Group			
	Within 1 year *RMB'000*	**Between 1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
As at 31 December 2010				
Trade payables	**1,105,766**	**—**	**—**	**1,105,766**
Short-term borrowings	**681,346**	**—**	**—**	**681,346**
Other payables, accruals and other current liabilities	**688,518**	**—**	**—**	**688,518**
	2,475,630	**—**	**—**	**2,475,630**
As at 31 December 2009				
Trade payables	718,061	—	—	718,061
Bills payable	1,115,253	—	—	1,115,253
Other payables, accruals and other current liabilities	763,839	—	—	763,839
	2,597,153	—	—	2,597,153

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

3.2 Fair value estimation

As at 31 December 2009 and 2010, the Group and the Company did not have any financial assets or financial liabilities in the balance sheet which is measured at fair value.

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

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

3 Financial risk management (continued)

3.3 Capital risk management

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

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

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

The table below analyzes the Group's capital structure as at 31 December 2009 and 2010:

	2010	2009
	RMB'000	*RMB'000*
Total bills payable and borrowings	**680,744**	1,115,253
Less: Structured bank deposits, term deposits with initial terms of over three months and cash and cash equivalents	**(5,893,179)**	(5,792,371)
Net cash	**(5,212,435)**	(4,677,118)
Total equity	**17,114,801**	15,323,001
Total capital	**11,902,366**	10,645,883
Gearing ratio	**(0.44)**	(0.44)

The Group has a net cash as at both 31 December 2009 and 2010. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

4 Critical accounting estimates and judgments

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

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

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

(b) Impairment of non-financial assets

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

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

(c) Net realizable value of inventories

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

4 Critical accounting estimates and judgments (continued)

(d) Trade and other receivables

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

(e) Current and deferred income tax

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

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

5 Segment information

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

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

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

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

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

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

5 Segment information (continued)

	Year ended 31 December 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	14,649,413	8,997,199	23,646,612	—	23,646,612
Commissions from concessionaire sales	—	59,278	59,278	—	59,278
	14,649,413	9,056,477	23,705,890	—	23,705,890
Results of reportable segments	3,472,196	577,221	4,049,417	—	4,049,417
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					4,049,417
Amortization of intangible assets					(84,236)
Unallocated income					33,981
Unallocated expenses					(36,659)
Operating profit					3,962,503
Finance income					164,325
Finance costs					(1,721)
Profit before income tax					4,125,107
Income tax expense					(700,576)
Profit for the year					3,424,531
Other segment information					
Depreciation on property, plant and equipment	345,369	233,864	579,233	13,471	592,704
Amortization of leasehold land and land use rights	7,859	7,454	15,313	—	15,313
Amortization of intangible assets	44,518	39,718	84,236	—	84,236
Depreciation on investment properties	—	—	—	711	711
Write-off of other property, plant and equipment	28,191	2,734	30,925	—	30,925
Additions to non-current assets	701,036	270,180	971,216	267,346	1,238,562

5 Segment information (continued)

	As at 31 December 2010				
	Shoes and footwear products	Sportswear products	Reportable segments total	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**7,857,533**	**5,384,682**	**13,242,215**	**—**	**13,242,215**
Goodwill	**1,651,893**	**485,261**	**2,137,154**	**—**	**2,137,154**
Other intangible assets	**575,302**	**885**	**576,187**	**—**	**576,187**
Inter-segment balances elimination	**(325,649)**	**—**	**(325,649)**	**—**	**(325,649)**
	9,759,079	**5,870,828**	**15,629,907**	**—**	**15,629,907**
Investment properties				**11,682**	**11,682**
Non-current assets held for sale				**51,776**	**51,776**
Term deposits with initial terms of over three months				**886,242**	**886,242**
Structured bank deposits				**2,834,405**	**2,834,405**
Deferred income tax assets				**191,667**	**191,667**
Other unallocated assets				**1,226,353**	**1,226,353**
Total assets per consolidated balance sheet					**20,832,032**
Segment liabilities	**1,239,052**	**1,221,613**	**2,460,665**	**—**	**2,460,665**
Inter-segment balances elimination	**—**	**(325,649)**	**(325,649)**	**—**	**(325,649)**
	1,239,052	**895,964**	**2,135,016**	**—**	**2,135,016**
Short-term borrowings				**680,744**	**680,744**
Current income tax liabilities				**712,236**	**712,236**
Deferred income tax liabilities				**176,761**	**176,761**
Other unallocated liabilities				**12,474**	**12,474**
Total liabilities per consolidated balance sheet					**3,717,231**

5 Segment information (continued)

	Year ended 31 December 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	11,733,214	7,980,275	19,713,489	—	19,713,489
Commissions from concessionaire sales	—	48,145	48,145	—	48,145
	11,733,214	8,028,420	19,761,634	—	19,761,634
Results of reportable segments	2,508,011	439,143	2,947,154	—	2,947,154
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					2,947,154
Amortization of intangible assets					(101,447)
Unallocated income					3,866
Unallocated expenses					(25,408)
Operating profit					2,824,165
Finance income					113,097
Finance costs					(77,643)
Profit before income tax					2,859,619
Income tax expense					(329,928)
Profit for the year					2,529,691
Other segment information					
Depreciation on property, plant and equipment (restated)	294,971	192,222	487,193	16,525	503,718
Amortization of leasehold land and land use rights (restated)	16,689	5,585	22,274	1,386	23,660
Amortization of intangible assets	52,659	48,788	101,447	—	101,447
Depreciation on investment properties (restated)	—	—	—	1,470	1,470
Write-down of non-current assets held for sale to fair value less costs to sell	78,539	—	78,539	—	78,539
Write-off of other property, plant and equipment	5,475	—	5,475	—	5,475
Impairment losses on inventories	44,732	—	44,732	—	44,732
Impairment losses on trade receivables	888	60	948	—	948
Additions to non-current assets	432,449	158,432	590,881	218,504	809,385

5 Segment information (continued)

	As at 31 December 2009				
	Shoes and footwear products *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				12,393	12,393
Non-current assets held for sale				613,805	613,805
Term deposits with initial terms of over three months				2,312,247	2,312,247
Structured bank deposits				1,789,576	1,789,576
Deferred income tax assets				94,185	94,185
Other unallocated assets				1,489,844	1,489,844
Total assets per consolidated balance sheet					18,624,731
Segment liabilities	3,162,348	651,135	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 consolidated balance sheet					3,301,730

5 Segment information (continued)

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

	Year ended 31 December 2010 RMB'000	2009 RMB'000
Revenue		
The PRC	**22,383,398**	18,543,768
Hong Kong and Macau	**1,094,053**	1,006,316
Other locations	**228,439**	211,550
	23,705,890	19,761,634

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

	As at 31 December 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* (Restated)	*RMB'000* (Restated)	*RMB'000*	*RMB'000* (Restated)
Non-current assets								
Property, plant and equipment	**1,970,434**	**383,231**	**—**	**2,353,665**	1,734,828	318,949	239	2,054,016
Leasehold land and land use rights	**628,632**	**—**	**—**	**628,632**	526,684	—	—	526,684
Investment properties	**11,682**	**—**	**—**	**11,682**	12,393	—	—	12,393
Intangible assets	**2,641,584**	**71,757**	**—**	**2,713,341**	2,721,211	73,063	—	2,794,274
Long-term deposits and prepayments	**619,586**	**37,471**	**—**	**657,057**	410,955	40,739	—	451,694
	5,871,918	**492,459**	**—**	**6,364,377**	5,406,071	432,751	239	5,839,061

6 Other income

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Rental income	**3,373**	2,507
Government incentives	**25,778**	12,348
	29,151	14,855

7 Other gains / (losses)

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Gains on disposal of non-current assets held for sale, net *(Note 35(b))*	**30,608**	3,866
Gains on disposal of buildings, leasehold land and land use rights, net *(Note 35(b))*	**—**	48,618
Write-down of non-current assets held for sale to fair value less costs to sell *(Note 28)*	**—**	(78,539)
Gain on disposal of subsidiaries *(Note 36)*	**—**	16,487
	30,608	(9,568)

8 Operating profit

Operating profit is stated after charging the following:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Costs of inventories recognized as expenses included in cost of sales	**10,494,459**	9,172,414
Depreciation on property, plant and equipment *(Note 16)*	**592,704**	503,718
Depreciation on investment properties *(Note 18)*	**711**	1,470
Amortization of intangible assets *(Note 19)*	**84,236**	101,447
Amortization of leasehold land and land use rights *(Note 17)*	**15,313**	23,660
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**5,287,346**	4,285,531
Staff costs (including directors' emoluments) (Note 14)	**2,897,816**	2,383,503
Loss on disposal of other property, plant and equipment *(Note 35(b))*	**20,566**	3,588
Write-off of other property, plant and equipment *(Note 16)*	**30,925**	5,475
Impairment losses on inventories	**—**	44,732
Impairment losses on trade receivables	**—**	948
Auditor's remuneration	**9,319**	8,371

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

9 Finance income, net

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interest income on bank deposits	**18,752**	79,433
Interest income from structured bank deposits	**113,644**	33,664
Net foreign exchange gains	**31,929**	—
	164,325	113,097
Interest expense on short-term bank borrowings and bills payable wholly repayable within 5 years	**(1,721)**	(65,824)
Net foreign exchange losses	**—**	(11,819)
	(1,721)	(77,643)
Finance income, net	**162,604**	35,454

10 Income tax expense

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**814,080**	363,614
– Hong Kong profits tax	**17,271**	2,791
– Macau income tax	**7,216**	1,586
Under/ (over)-provision in prior years		
– PRC corporate income tax	**5,124**	24,902
– Hong Kong profits tax	**5,921**	(113)
– Macau income tax	**1,045**	—
Deferred income tax *(Note 22)*	**(150,081)**	(62,852)
	700,576	329,928

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group, as being wholly foreign-owned enterprises in Shenzhen, the PRC. Certain subsidiaries established in the PRC are also entitled to a two-year exemption from income taxes followed by a 50% reduction in income taxes for the ensuing three years. These companies have been subject to reduced tax rates ranging from 11% to 22% during the year (2009: These companies have either been exempted from corporate income tax or subject to reduced tax rates ranging from 10% to 20%). The tax rates for these companies will be gradually increased to 25% towards year 2013.

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Macau income tax has been provided at the tax rates prevailing in Macau on the estimated assessable profit for the year.

10 Income tax expense (continued)

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Profit before income tax	**4,125,107**	2,859,619
Tax calculated at the domestic tax rate of respective companies	**892,329**	599,106
Effect of tax holidays of PRC subsidiaries	**(372,108)**	(342,206)
Non-taxable income	**(18,079)**	(15,294)
Expenses not deductible for tax purposes	**13,030**	21,171
Tax losses for which no deferred income tax asset was recognized	**22,369**	32,550
Utilization of previously unrecognized tax losses	**(5,141)**	(5,800)
Under-provision in prior years	**12,090**	24,789
Withholding tax	**156,086**	15,612
	700,576	329,928

The weighted average applicable tax rate for the year ended 31 December 2010 is 21.6% (2009: 21.0%). The fluctuation in the weighted average applicable tax rate arose mainly because of the change in applicable tax rates of certain PRC subsidiaries and the change in the relative profitability of the companies within the Group.

11 Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the year ended 31 December 2010 is dealt with in the financial statements of the Company to the extent of RMB2,542,896,000 (2009: RMB974,179,000).

12 Earnings per share

Basic

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

	Year ended 31 December	
	2010	2009
Profit attributable to equity holders of the Company (RMB'000)	**3,424,531**	2,533,499
Weighted average number of ordinary shares for the purposes of basic earnings per share (thousand of shares)	**8,434,233**	8,434,233
Basic earnings per share (RMB cents per share)	**40.60**	30.04

Diluted

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

13 Dividends

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Interim, paid, of RMB 5.0 cents per ordinary share (2009: RMB 3.5 cents) *(note (a))*	**421,712**	295,198
Special, paid, of RMB 10.0 cents per ordinary share (2009: Nil) *(note (a))*	**843,423**	—
Final, proposed, of RMB 6.0 cents per ordinary share (2009: RMB 4.0 cents) *(note (b))*	**506,054**	337,369
Special, proposed, of RMB 10.0 cents per ordinary share (2009: Nil) *(note (b))*	**843,423**	—
	2,614,612	632,567

Notes:

(a) At a meeting held on 24 August 2010, the directors declared an interim dividend of RMB5.0 cents per ordinary share (2009: RMB3.5 cents), totaling RMB421,712,000 (2009: RMB295,198,000) and a special dividend of RMB10.0 cents per ordinary share (2009: Nil), totaling RMB843,423,000 (2009: Nil) for the year ended 31 December 2010. These amounts were paid during the year.

(b) At a meeting held on 23 March 2011, the directors recommended the payment of a final dividend for the year ended 31 December 2010 of RMB6.0 cents per ordinary share (2009: RMB4.0 cents), totaling RMB506,054,000 (2009: RMB337,369,000) and a special dividend of RMB10.0 cents per ordinary share (2009: Nil), totaling RMB843,423,000 (2009: Nil). These proposed dividends are not reflected as dividends payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

14 Staff costs (including directors' emoluments)

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**2,463,007**	2,031,760
Pensions costs - defined contribution plan *(note)*	**341,323**	293,964
Welfare and other expenses	**93,486**	57,779
	2,897,816	2,383,503

Note:

The PRC

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

Hong Kong

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

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

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

15 Emoluments for directors and five highest paid individuals

(a) Directors' emoluments

	Fees RMB'000	Basic salaries, housing allowance, other allowances and benefits in kind RMB'000	Bonuses RMB'000	Employer's contributions to retirement schemes RMB'000	Total RMB'000
Year ended 31 December 2010					
Executive directors:					
Tang Yiu	**—**	**4,155**	**3,506**	**—**	**7,661**
Sheng Baijiao	**—**	**3,358**	**4,255**	**15**	**7,628**
Yu Mingfang	**—**	**2,151**	**1,856**	**29**	**4,036**
Tang King Loy	**—**	**2,251**	**346**	**10**	**2,607**
Non-executive directors:					
Gao Yu	**—**	**—**	**—**	**—**	**—**
Hu Xiaoling	**—**	**—**	**—**	**—**	**—**
Independent non-executive directors:					
Chan Yu Ling, Abraham	**150**	**—**	**—**	**—**	**150**
Ho Kwok Wah, George	**150**	**—**	**—**	**—**	**150**
Xue Qiuzhi	**150**	**—**	**—**	**—**	**150**
	450	**11,915**	**9,963**	**54**	**22,382**
Year ended 31 December 2009					
Executive directors:					
Tang Yiu	—	4,230	3,524	—	7,754
Sheng Baijiao	—	3,397	4,147	20	7,564
Yu Mingfang	—	2,145	1,892	35	4,072
Tang King Loy(1)	—	764	1,322	7	2,093
Tang Ming Wai(2)	—	267	—	4	271
Non-executive directors:					
Gao Yu	—	—	—	—	—
Hu Xiaoling	—	—	—	—	—
Independent non-executive directors:					
Chan Yu Ling, Abraham	150	—	—	—	150
Ho Kwok Wah, George	150	—	—	—	150
Xue Qiuzhi	150	—	—	—	150
	450	10,803	10,885	66	22,204

(1) appointed on 15 May 2009

(2) resigned on 15 May 2009

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

(b) Five highest paid individuals

The five highest paid individuals included 3 (2009: 3) directors, whose emoluments are included in the above disclosure. The emoluments of the remaining 2 (2009: 2) individuals during the year are as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**3,866**	3,232
Bonuses	**2,267**	2,543
Pensions costs - defined contribution plans	**25**	42
	6,158	5,817

	Number of individuals Year ended 31 December	
	2010	2009
HK$3,000,001 (equivalent to RMB2,597,000) to HK$3,500,000 (equivalent to RMB3,030,000)	**—**	2
HK$3,500,001 (equivalent to RMB3,030,000) to HK$4,000,000 (equivalent to RMB3,463,000)	**2**	—
	2	2

(c) During the year, no emoluments have been paid to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2009: Nil).

16 Property, plant and equipment

	Leasehold land and buildings RMB'000 (Restated)	Leasehold Improve - ments RMB'000	Plant and equipment RMB'000	Furniture and fixtures and other equipment RMB'000	Motor vehicles RMB'000	Construc- tion in progress RMB'000	Total RMB'000
Cost							
As at 1 January 2009, as previously reported	1,289,315	1,184,635	357,092	226,168	72,462	1,531	3,131,203
Change in accounting policy *(Note 2.1(a))*	344,932	—	—	—	—	—	344,932
As at 1 January 2009, as restated	1,634,247	1,184,635	357,092	226,168	72,462	1,531	3,476,135
Additions	4,058	370,699	6,327	32,364	9,974	110,363	533,785
Transfer upon completion	81,977	—	—	—	—	(81,977)	—
Transfer to non-current assets held for sale *(Note 28)*	(373,142)	—	—	—	—	—	(373,142)
Disposal of subsidiaries *(Note 36)*	—	(5,005)	(772)	(2,051)	(372)	—	(8,200)
Disposals	(222,736)	—	(2,805)	(17,193)	(2,904)	—	(245,638)
Written-off	—	(276,654)	—	(1,769)	(1,623)	—	(280,046)
Exchange differences	(683)	(207)	(57)	(342)	(8)	—	(1,297)
As at 31 December 2009	1,123,721	1,273,468	359,785	237,177	77,529	29,917	3,101,597
Additions	**112,627**	**493,754**	**78,765**	**112,713**	**13,526**	**156,918**	**968,303**
Transfer upon completion	**86,425**	**—**	**—**	**—**	**—**	**(86,425)**	**—**
Disposals	**(21,948)**	**(6,799)**	**(33,440)**	**(13,722)**	**(4,667)**	**—**	**(80,576)**
Written-off	**(12,064)**	**(402,295)**	**(75)**	**(14,489)**	**(420)**	**—**	**(429,343)**
Exchange differences	**(8,846)**	**(2,320)**	**(626)**	**(848)**	**(424)**	**—**	**(13,064)**
As at 31 December 2010	**1,279,915**	**1,355,808**	**404,409**	**320,831**	**85,544**	**100,410**	**3,546,917**

16 Property, plant and equipment (continued)

	Leasehold land and buildings *RMB'000* (Restated)	Leasehold Improve - ments *RMB'000*	Plant and equipment *RMB'000*	Furniture and fixtures and other equipment *RMB'000*	Motor vehicles *RMB'000*	Construc- tion in progress *RMB'000*	Total *RMB'000*
Accumulated depreciation and impairment							
As at 1 January 2009, as previously reported	70,441	669,568	69,454	71,644	24,333	—	905,440
Change in accounting policy *(Note 2.1(a))*	5,216	—	—	—	—	—	5,216
As at 1 January 2009, as restated	75,657	669,568	69,454	71,644	24,333	—	910,656
Charge for the year	94,231	316,350	29,702	50,816	12,619	—	503,718
Transfer to non-current assets held for sale *(Note 28)*	(70,493)	—	—	—	—	—	(70,493)
Disposal of subsidiaries *(Note 36)*	—	(1,899)	(272)	(1,154)	(39)	—	(3,364)
Disposals	(7,570)	—	(1,827)	(8,626)	(38)	—	(18,061)
Written-off	—	(272,318)	—	(630)	(1,623)	—	(274,571)
Exchange differences	(32)	(69)	(30)	(168)	(5)	—	(304)
As at 31 December 2009	91,793	711,632	97,027	111,882	35,247	—	1,047,581
Charge for the year	**69,599**	**413,437**	**30,504**	**66,456**	**12,708**	**—**	**592,704**
Disposals	**(21,948)**	**(2,220)**	**(10,700)**	**(9,021)**	**(2,372)**	**—**	**(46,261)**
Written-off	**—**	**(397,893)**	**(34)**	**(103)**	**(388)**	**—**	**(398,418)**
Exchange differences	**(368)**	**(1,161)**	**(415)**	**(387)**	**(23)**	**—**	**(2,354)**
As at 31 December 2010	**139,076**	**723,795**	**116,382**	**168,827**	**45,172**	**—**	**1,193,252**
Net book value							
As at 31 December 2010	**1,140,839**	**632,013**	**288,027**	**152,004**	**40,372**	**100,410**	**2,353,665**
As at 31 December 2009	1,031,928	561,836	262,758	125,295	42,282	29,917	2,054,016

16 Property, plant and equipment (continued)

Net book value of leasehold land and buildings are analyzed as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Leasehold land and buildings in Hong Kong held on leases of between 10 to 50 years	**336,526**	255,624
Buildings outside Hong Kong held on leases of between 10 to 50 years	**804,313**	776,304
	1,140,839	1,031,928

17 Leasehold land and land use rights

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Cost		
As at 1 January, as previously reported	**802,082**	1,498,750
Change in accounting policy *(Note 2.1(a))*	**(218,060)**	(395,746)
As at 1 January, as restated	**584,022**	1,103,004
Additions	**117,261**	—
Transfer to non-current assets held for sale *(Note 28)*	**—**	(446,894)
Disposals *(Note 35(b))*	**—**	(72,088)
As at 31 December	**701,283**	584,022
Accumulated amortization and impairment		
As at 1 January, as previously reported	**62,790**	61,626
Change in accounting policy *(Note 2.1(a))*	**(5,452)**	(8,540)
As at 1 January, as restated	**57,338**	53,086
Amortization for the year	**15,313**	23,660
Transfer to non-current assets held for sale *(Note 28)*	**—**	(18,737)
Disposals *(Note 35(b))*	**—**	(671)
As at 31 December	**72,651**	57,338
Net book value as at 31 December	**628,632**	526,684

As at 31 December 2009 and 2010, all of the above leasehold land and land use rights of the Group are outside Hong Kong and held on leases of between 10 to 50 years.

18 Investment properties

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Cost		
As at 1 January, as previously reported	**14,231**	24,235
Change in accounting policy *(Note 2.1(a))*	**—**	50,814
As at 1 January, as restated	**14,231**	75,049
Transfer to non-current assets held for sale *(Note 28)*	**—**	(60,744)
Exchange differences	**—**	(74)
As at 31 December	**14,231**	14,231
Accumulated depreciation		
As at 1 January, as previously reported	**1,838**	1,777
Change in accounting policy *(Note 2.1(a))*	**—**	3,324
As at 1 January, as restated	**1,838**	5,101
Charge for the year	**711**	1,470
Transfer to non-current assets held for sale *(Note 28)*	**—**	(4,729)
Exchange differences	**—**	(4)
As at 31 December	**2,549**	1,838
Net book value as at 31 December	**11,682**	12,393
At directors' valuation *(note)*	**14,231**	14,231

Note:

The valuations for the investment properties as at 31 December 2009 and 2010 were determined by the directors of the Company on an open market value basis.

As at 31 December 2009 and 2010, all of the above investment properties of the Group are outside Hong Kong and held on leases of between 10 to 50 years.

19 Intangible assets

	Goodwill	Distribution contracts	Trademarks	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost					
As at 1 January 2009	2,157,820	349,635	1,012,666	16,344	3,536,465
Disposal of subsidiaries *(Note 36)*	(20,666)	—	(474,174)	—	(494,840)
Additions	—	—	552	5,048	5,600
Written-off	—	—	—	(456)	(456)
Exchange differences	—	—	(22)	—	(22)
As at 31 December 2009	2,137,154	349,635	539,022	20,936	3,046,747
Additions	**—**	**—**	**—**	**3,326**	**3,326**
Exchange differences	**—**	**—**	**(88)**	**—**	**(88)**
As at 31 December 2010	**2,137,154**	**349,635**	**538,934**	**24,262**	**3,049,985**
Accumulated amortization and impairment					
As at 1 January 2009	—	122,562	48,912	4,720	176,194
Disposal of subsidiaries *(Note 36)*	—	—	(24,697)	—	(24,697)
Amortization for the year	—	60,515	34,940	5,992	101,447
Written-off	—	—	—	(456)	(456)
Exchange differences	—	—	(15)	—	(15)
As at 31 December 2009	—	183,077	59,140	10,256	252,473
Amortization for the year	**—**	**59,451**	**20,422**	**4,363**	**84,236**
Exchange differences	**—**	**—**	**(65)**	**—**	**(65)**
As at 31 December 2010	**—**	**242,528**	**79,497**	**14,619**	**336,644**
Net book value					
As at 31 December 2010	**2,137,154**	**107,107**	**459,437**	**9,643**	**2,713,341**
As at 31 December 2009	2,137,154	166,558	479,882	10,680	2,794,274

Goodwill is allocated to the Group's cash-generating units identified according to operating segments.

19 Intangible assets (continued)

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

	Shoes and footwear products	Sportswear products	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2010 and 31 December 2009			
The PRC	**1,580,136**	**485,261**	**2,065,397**
Hong Kong	**71,757**	**—**	**71,757**
	1,651,893	**485,261**	**2,137,154**

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

Key assumptions used for value-in-use calculations:

	Shoes and footwear products		Sportswear products
	The PRC	Hong Kong	The PRC
Gross margin	**53% to 68%**	**65% to 72%**	**35%**
Annual growth rate of approved financial budgets	**25% to 61%**	**9% to 20%**	**13% to 18%**
Annual discount rate	**16%**	**15%**	**16%**

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

20 Interests in subsidiaries

	Company	
	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**4,333,427**	3,649,921
Loans to subsidiaries *(note (a))*	**5,808,736**	5,464,777
	10,142,163	9,114,698
Amounts due from subsidiaries *(note (b))*	**3,271,071**	1,920,781
Amounts due to subsidiaries *(note (b))*	**1,624,063**	189,593

Notes:

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

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

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

21 Deposits, prepayments and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Non-current:				
Rental deposits and prepayments	**236,058**	172,169	**—**	—
Prepayments for purchase of land use rights	**190,000**	270,000	**—**	—
Prepayments for purchase of properties in the PRC	**229,672**	—	**—**	—
Others	**1,327**	9,525	**—**	—
	657,057	451,694	**—**	—
Current:				
Rental deposits and prepayments	**456,449**	376,305	**—**	—
Value-added tax recoverables	**463,900**	54,614	**—**	—
Other receivables	**293,401**	74,270	**—**	—
Other prepayments	**138,470**	103,707	**539**	617
	1,352,220	608,896	**539**	617

Note:

The carrying amounts of deposits and other receivables approximate their fair values.

22 Deferred income taxes

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

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net deferred income tax assets recognized on the balance sheet	**191,667**	94,185
Net deferred income tax liabilities recognized on the balance sheet	**(176,761)**	(229,360)
	14,906	(135,175)

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

	Accelerated tax depreciation	Unrealized profit on closing inventories	Deferred income tax liabilities arising from recognition of distribution contracts	Deferred income tax liabilities arising from recognition of trademarks	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	(108,705)	50,447	(36,858)	(135,778)	23,683	(10,395)	(217,606)
Disposal of subsidiaries *(Note 36)*	—	—	—	19,590	—	—	19,590
Credited/(charged) to the income statement *(Note 10)*	42,986	22,589	15,511	3,017	(5,592)	(15,659)	62,852
Exchange differences	—	—	—	—	—	(11)	(11)
At 31 December 2009	(65,719)	73,036	(21,347)	(113,171)	18,091	(26,065)	(135,175)
Credited/(charged) to the income statement *(Note 10)*	**64,998**	**103,869**	**13,960**	**4,449**	**(3,367)**	**(33,828)**	**150,081**
At 31 December 2010	**(721)**	**176,905**	**(7,387)**	**(108,722)**	**14,724**	**(59,893)**	**14,906**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. At 31 December 2010, the Group had unrecognized tax losses to be carried forward against future taxable income amounted to RMB428,993,000 (2009: RMB403,207,000).

22 Deferred income taxes (continued)

The expiry of unrecognized tax losses are as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Tax losses without expiry date	**108,167**	132,081
Tax losses expiring after 5 years	**109,013**	109,013
Tax losses expiring in 5 years	**211,813**	162,113
	428,993	403,207

As at 31 December 2010, the potential deferred income tax assets in respect of the above tax losses which have not been recognized amounted to RMB104,670,000 (2009: RMB98,893,000).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on dividends declared in respect of profits earned by the Group's PRC subsidiaries from 1 January 2008. Deferred income tax liabilities of approximately RMB244,000,000 (2009: approximately RMB255,000,000) have not been provided for in these consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Group's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

23 Inventories

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Raw materials	**243,936**	191,533
Work in progress	**73,953**	59,686
Finished goods	**4,566,584**	3,714,622
Consumables	**12,692**	11,396
	4,897,165	3,977,237
Less: provision for impairment losses	**(38,028)**	(61,336)
	4,859,137	3,915,901

24 Trade receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 31 December 2010, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**2,019,606**	1,680,671
31 to 60 days	**39,092**	25,996
61 to 90 days	**19,344**	37,151
Over 90 days	**41,634**	16,694
	2,119,676	1,760,512

The carrying amounts of trade receivables approximate their fair values.

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
RMB	**2,054,582**	1,730,433
HK$	**65,094**	23,209
Other currencies	**—**	6,870
	2,119,676	1,760,512

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

As at 31 December 2010, trade receivables of RMB45,205,000 (2009: RMB52,296,000) were past due but for which no impairment loss has been provided for by the Group. These trade receivables relate to a number of independent debtors for whom there is no recent history of default. The Group does not hold any collateral as security over these debtors. The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
61 to 90 days	**3,571**	36,722
91 to 150 days	**41,634**	15,574
	45,205	52,296

During the year ended 31 December 2010, no trade receivables were impaired and written off (2009: RMB948,000). No trade receivables are considered to be impaired as at 31 December 2009 and 2010.

25 Structured bank deposits

The weighted average effective interest rate of the Group's structured bank deposits as at 31 December 2010 was 3.45% (2009: 2.86%). These balances are denominated in RMB.

26 Term deposits with initial terms of over three months

The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 31 December 2010 was 2.45% (2009: 2.07%). These balances are denominated in RMB.

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 (also see Note 30).

27 Cash and cash equivalents

	Group		**Company**	
	As at 31 December		**As at 31 December**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**1,685,887**	656,521	**2,887**	6,723
Term deposits with initial terms of less than three months	**486,645**	1,034,027	**—**	—
	2,172,532	1,690,548	**2,887**	6,723
Denominated in				
RMB	**1,949,910**	1,096,681	**—**	—
HK$	**198,233**	569,926	**2,887**	6,723
Other currencies	**24,389**	23,941	**—**	—
	2,172,532	1,690,548	**2,887**	6,723

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 31 December 2010 was 1.04% (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.

28 Non-current assets held for sale

Non-current assets held for sale represent certain office and factory premises of the Group located in both 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. Movement of the non-current assets held for sale is as follows:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
As at 1 January	**613,805**	—
Transfer from property, plant and equipment *(Note 16)*	**—**	302,649
Transfer from leasehold land and land use rights *(Note 17)*	**—**	428,157
Transfer from investment properties *(Note 18)*	**—**	56,015
Write-down to fair value less costs to sell	**—**	(78,539)
Disposals	**(562,029)**	(94,477)
As at 31 December	**51,776**	613,805

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Held on leases of between 10 to 50 years		
– In Hong Kong	**51,776**	128,918
– Outside Hong Kong	**—**	484,887
	51,776	613,805

29 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. At 31 December 2010, the aging analysis of trade payables is as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
0 to 30 days	**916,658**	632,531
31 to 60 days	**181,055**	44,229
Over 60 days	**8,053**	41,301
	1,105,766	718,061

The carrying amounts of trade payables approximate their fair values.

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
RMB	**1,081,172**	709,385
HK$	**12,682**	5,963
Other currencies	**11,912**	2,713
	1,105,766	718,061

30 Bills payable

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

31 Other payables, accruals and other current liabilities

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Accrued wages, salaries, bonus and staff welfare	**400,172**	329,050	**—**	—
Value-added tax, business tax and other taxes payables	**81,808**	240,109	**—**	—
Customers deposits	**273,182**	210,757	**—**	—
Other accrued expenses and payables	**206,538**	194,680	**4,521**	5,515
	961,700	974,596	**4,521**	5,515

32 Borrowings

(a) As at 31 December 2010, the Group's bank borrowings were carried at floating rates and the weighted average effective interest rate was 1.34% (2009: Nil). The carrying amount of the Group's bank borrowings is denominated in HK$ and approximates their fair values. All of these bank borrowings are wholly repayable within 5 years.

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

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Cross guarantees among subsidiaries of the Group	**672,490**	494,213
Guaranteed by the Company	**1,225,594**	1,541,985
Corresponding banking facilities utilized	**680,744**	—

33 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 31 December 2010	**30,000,000,000**	**296,038**
Issued and fully paid:		
As at 1 January 2009, 31 December 2009 and 31 December 2010	**8,434,233,000**	**83,056**

Share premium

Company

	RMB'000
As at 1 January 2009, 31 December 2009 and 31 December 2010	**9,331,889**

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

Share option scheme

Pursuant to a shareholders resolution passed on 27 April 2007, the Company has adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide an incentive for Qualified Participants (defined below) to work with commitment towards enhancing the value of the Company and its shares for the benefit of the shareholders of the Company and to retain and attract high calibers 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 which options may be granted under the Share Option Scheme or other share option schemes as may be adopted by the Company shall not in aggregate exceed the number of shares that shall represent 10% of the total number of shares in issue of the Listing Date, unless such scheme mandate limited is renewed by shareholders of the Company in a general meeting.

No options have been granted under the Share Option Scheme since its adoption and up to 31 December 2010.

34 Reserves

Group

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

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

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

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

Company

	Capital redemption reserve	**Retained earnings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2009	70	1,048,913	1,048,983
Profit for the year	—	974,179	974,179
Dividends paid	—	(590,396)	(590,396)
As at 31 December 2009	70	1,432,696	1,432,766
Profit for the year	**—**	**2,542,869**	**2,542,869**
Dividends paid	**—**	**(1,602,504)**	**(1,602,504)**
As at 31 December 2010	**70**	**2,373,061**	**2,373,131**

35 Consolidated statement of cash flows

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Profit for the year	**3,424,531**	2,529,691
Adjustments for:		
Income tax expense	**700,576**	329,928
Amortization of leasehold land and land use rights and intangible assets	**99,549**	125,107
Depreciation on property, plant and equipment	**592,704**	503,718
Depreciation on investment properties	**711**	1,470
Loss on disposal of other property, plant and equipment	**20,566**	3,588
Gain on disposal of buildings, leasehold land and land use rights	**—**	(48,618)
Gain on disposal of non-current assets held for sale	**(30,608)**	(3,866)
Gain on disposal of subsidiaries	**—**	(16,487)
Write-off of other property, plant and equipment	**30,925**	5,475
Write-down of non-current assets held for sale to fair value less costs to sell	**—**	78,539
Impairment losses on inventories	**—**	44,732
Impairment losses on trade receivables	**—**	948
Exchange differences	**(9,922)**	6,665
Interest income	**(132,396)**	(113,097)
Interest expense	**1,721**	65,824
	4,698,357	3,513,617
Changes in working capital:		
(Increase)/ decrease in long-term deposits and prepayments	**(55,691)**	55,140
(Increase)/ decrease in inventories	**(943,236)**	249,476
(Increase)/ decrease in trade receivables	**(359,164)**	102,255
Increase in deposits, prepayments and other receivables	**(743,324)**	(43,875)
Decrease in trust receipt loans	**—**	(21,055)
Increase/ (decrease) in trade payables	**387,705**	(737,956)
Increase in other payables, accruals, other current and non-current liabilities	**65,229**	119,441
Net cash generated from operations	**3,049,876**	3,237,043

35 Consolidated statement of cash flows (continued)

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

	Year ended 31 December					
	2010			2009		
	Buildings, leasehold land and land use rights	**Non-current assets held for sale**	**Other property, plant and equipment**	Buildings, leasehold land and land use rights	Non-current assets held for sale	Other property, plant and equipment
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Net book value	**—**	**562,029**	**34,315**	286,583	94,477	12,411
Gain/(loss) on disposal	**—**	**30,608**	**(20,566)**	48,618	3,866	(3,588)
Proceeds from sale	**—**	**592,637**	**13,749**	335,201	98,343	8,823

36 Disposal of subsidiaries

In 2009, the Group disposed of its entire 85% equity interest in Full Prospect Limited and its subsidiaries, and a 100% interest in Fila Marketing (Hong Kong) Limited and its subsidiary to an independent third party. The details of the disposal are as follows:

	RMB'000
Net assets disposed:	
Intangible assets	470,143
Property, plant and equipment	4,836
Cash and cash equivalents	44,479
Other assets	38,776
Deferred income tax liabilities	(19,590)
Other liabilities	(176,639)
Non-controlling interests	(54,139)
	307,866
Net gain on disposal of subsidiaries	16,487
Consideration - satisfied by cash	324,353

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

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

37 Commitments

(a) Capital commitments

As at 31 December 2010, the Group had the following capital commitments not provided for:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Purchase of a property in the PRC:		
– Contracted but not provided for	**607,500**	—
Construction commitments:		
– Authorized but not contracted	**44,350**	—
– Contracted but not provided for	**145,654**	213,552
	190,004	213,552

(b) Operating lease commitments

As at 31 December 2010, the future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Not later than 1 year	**488,338**	502,788
Later than 1 year and not later than 5 years	**477,458**	590,368
Later than 5 years	**140,754**	241,482
	1,106,550	1,334,638

Generally, the Group's operating leases are for terms of 1 to 10 years.

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

The Company did not have any significant commitment at 31 December 2010 (2009: Nil).

38 Future minimum rental payments receivable

As at 31 December 2010, the future aggregate minimum rental payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Not later than 1 year	**8,045**	3,648
Later than 1 year and not later than 5 years	**—**	1,716
	8,045	5,364

39 Related party transactions

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

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Key management compensation		
– Salaries, bonuses and other welfare *(note)*	**35,168**	32,922

Note:

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

40 Particulars of principal subsidiaries

At 31 December 2010, the Company had the following principal subsidiaries:

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

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held:				
Belle Footwear (Hong Kong) Company Limited	20,000,000 shares of HK$1 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Belle Worldwide Limited	3 shares of HK$1 each	100%	Hong Kong	Property holdings/Hong Kong
Full State Corporation Limited	10,000,000 shares of HK$1 each	100%	Hong Kong	Investment holdings and trading of shoes and footwear products/Hong Kong
Millie's Company Limited	1,000,000 shares of HK$10 each	100%	Hong Kong	Trading of shoes and footwear products/Hong Kong
Shoesnet Co Limited	10,000 shares of HK$1 each	100%	Hong Kong	Property holdings/the PRC
Artigiano Footwear Limited	30,000 shares of MOP1 each	100%	Macau	Trading of shoes and footwear products/Macau
Staccato Footwear (Macau) Company Limited	2 shares of MOP 12,500 each	100%	Macau	Trading of shoes and footwear products/Macau
Mirabell International Holdings Limited	263,320,000 shares of HK$0.1 each	100%	Cayman Islands	Investment holdings /Hong Kong
Staccato (IP) Limited	100 shares of US$1 each	100%	Mauritius	Trademark holdings/Macau

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
Hornet Agents Limited	1 share of US$1	100%	BVI	Trademark holdings /Hong Kong
Mirabell Investments Limited	1 share of US$1	100%	BVI	Investment holdings /Hong Kong
合眾服飾（深圳）有限公司 (Hezhong Apparel (Shenzhen) Limited)#	US$10,000,000	100%	The PRC	Manufacturing and trading of shoes, footwear products and apparel/the PRC
廣州市滔搏體育發展商貿有限公司 (Guangzhou Taobo Sports Development Company Limited)#	US$25,000,000	100%	The PRC	Operation of sports complex business/the PRC
滔搏商貿（瀋陽）有限公司 (Shenyang Taobo Trading complex business/the PRC Company Limited)#	US$5,000,000	100%	The PRC	Operation of sports complex business/the PRC
百朗商貿（深圳）有限公司 (Bailang Trading (Shenzhen) Company Limited)#	US$5,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
北京崇德商貿有限公司 (Beijing Chongde Trading Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
百麗國際鞋業（青島）有限公司 (Belle International Footwear (Qingdao) Company Limited)@	RMB70,000,000	100%	The PRC	Trading of shoes, footwear products, sporting shoes and apparel/the PRC
百麗鞋業（上海）有限公司 (Belle Footwear (Shanghai) Company Limited)#	US$10,000,000	100%	The PRC	Trading of shoes, footwear products, sporting shoes and apparel/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
百麗鞋業（北京）有限公司 (Belle Footwear (Beijing) Company Limited)#	US$5,100,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
百麗鞋業（宿州）有限公司 (Belle Footwear (Suzhou) Company Limited)#	US$28,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
法迅貿易（上海）有限公司 (Faxun Trading (Shanghai) Company Limited)#	US$12,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
Lai Kong Footwear (Shenzhen) Company Limited#	US$8,771,368	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
麗珂貿易（瀋陽）有限公司 (Li'ke Trading (Shenyang) Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
New Belle Footwear (Shenzhen) Company Limited#	US$130,000,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
青島傳承國際貿易有限公司 (Qingdao Chuancheng International Trading Company Limited)#	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
陝西滔搏商貿有限公司 (Shanxi Taobo Sports Trading Company Limited)@	RMB240,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
深圳市滔搏商貿有限公司 (Shenzhen Taobo Trading Company Limited)@	RMB180,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
成都滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited)@	RMB242,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC

40 Particulars of principal subsidiaries (continued)

Name	Issued/ paid-in capital	Interest held	Place of incorporation/ establishment	Principal activities/ place of operation
Indirectly held: (continued)				
武漢滔搏商貿有限公司 (Wuhan Taobo Trading Company Limited)@	US$32,000,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
雲南立鋭體育用品有限公司 (Yunnan Lirui Sports Company Limited)@	RMB220,750,000	100%	The PRC	Trading of sporting shoes and apparel/the PRC
吉林市滔搏商貿有限公司 (Jilinshi Taobo Trading Company Limited)@	RMB1,000,000	100%	The PRC	Operation of sports complex business/the PRC
哈爾濱滔搏商貿有限公司 (Harbin Taobo Trading Company Limited)@	RMB12,000,000	100%	The PRC	Operation of sports complex business/the PRC
遼源市滔搏商貿有限公司 (Liaoyuan Taobo Trading Company Limited)@	RMB500,000	100%	The PRC	Operation of sports complex business/the PRC
東莞市滔搏體育用品有限公司 (Dongguanshi Taobo Trading Company Limited)@	RMB1,800,000	100%	The PRC	Operation of sports complex business/the PRC
江蘇森達鞋業有限公司 (Jiangsu Senda Footwear Company Limited)@	RMB294,250,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC
上海百思圖鞋業有限公司 (Shanghai Basto Footwear Company Limited)@	RMB980,000	100%	The PRC	Manufacturing and trading of shoes and footwear products/the PRC

40 Particulars of principal subsidiaries (continued)

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

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

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

Belle 百麗國際
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