Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2011

(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. Sheng Fang
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

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Cayman Islands

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1880

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Auditor

PricewaterhouseCoopers
Certified Public Accountants
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Cayman Islands

Hong Kong Branch Share Registrar

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Hopewell Centre
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Wanchai
Hong Kong

Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2011	2010
Revenue	RMB'000	**13,890,854**	11,152,507
Operating profit	RMB'000	**2,526,720**	1,828,446
Operating profit before other income *(Note)*	RMB'000	**2,499,850**	1,810,134
Income tax expense	RMB'000	**605,570**	330,977
Profit attributable to the Company's equity holders	RMB'000	**2,007,169**	1,555,552
Gross profit margin	%	**57.0**	55.6
Operating profit margin	%	**18.2**	16.4
Operating profit margin before other income	%	**18.0**	16.2
Net profit margin	%	**14.4**	13.9
Earnings per share			
- basic	RMB cents	**23.80**	18.44
- diluted	RMB cents	**23.80**	18.44
Interim dividend per share	RMB cents	**7.00**	5.00
Special dividend per share	RMB cents	—	10.00

		As at	
		30 June 2011	31 December 2010
Gearing ratio	%	**7.6**	3.3
Current ratio	times	**3.3**	4.1
Average trade receivables turnover period	days	**28.7**	29.9
Average trade payables turnover period	days	**33.8**	31.7
Average inventory turnover period	days	**153.0**	152.6

Note: *Other income consists mainly of government incentives and rental income.*

STATEMENT FROM CHAIRMAN

Dear Shareholders,

In the first half of 2011 the Chinese economy went through a period of complexity, with inflationary pressure beginning to emerge, pushing up living cost for ordinary citizens. The monetary policy turned more cautious and prudent, gradually tightening the supply of money. The business environment was also becoming less accommodative, with rising costs and expenses, as well as increased burden from taxation and social security. In contrast to the above, the consumer retail market was still robust. The urbanization process, continued increases in disposable income, and the consumption upgrade driven by consumers' demand for higher quality of life, all contributed to the strong sales momentum of fashion and lifestyle products. With a strong brand portfolio, extensive retail network, and superior managerial capabilities, and the diligent work of all the employees, the Group was able to capture favourable market opportunities and achieved great results in the first half of this year.

For the six months ended 30 June 2011 the Group recorded an increase of 24.6% in revenue, 38.2% in operating profit, and 29.0% in profit attributable to equity holders of the Company as compared with the same period of last year. There were 841 net additions to company-managed footwear retail outlets and 349 net additions to company-managed sportswear retail outlets during the first half of this year in Mainland China. As at 30 June 2011 the total number of company-managed retail outlets reached 13,321, of which 13,157 outlets are located in Mainland China and 164 in Hong Kong and Macau.

I would like to take this opportunity to thank all my colleagues for their hard work, professionalism and teamwork, and at the same time express my appreciation to all the shareholders for their support.

The Group was established in Shenzhen in 1991 and on 8 March 1992 produced the first pair of shoes in our factory. Within 20 years of this humble start as a small factory we have grown into a blue chip public company with over HK$100 billion of market capitalization. We have established a complete business system including manufacturing, branding and retailing, and also directly manage more than 10,000 outlets in about 300 cities across the country. Despite all hardship, in the past 20 years we have enjoyed an exciting and meaningful experience of venture. We cultivated a strong team, accumulated a set of managerial philosophy with richness and depth, and created a hardworking, practical and sharing culture. These intangible assets will provide strong support for the Group to continue to grow into a great company in the future. I sincerely hope that all my colleagues will continue to carry on the passion from the startup days and work together to create a more glamorous future.

Tang Yiu
Chairman

25 August 2011

STATEMENT FROM CEO

Dear Shareholders,

The Group's overall revenue increased by 24.6% to RMB13,890.9 million in the first half of 2011 compared with the same period of last year. Revenue of the footwear business increased by 30.1% to RMB8,747.4 million. The sportswear business recorded revenue of RMB5,143.5 million, up by 16.1% compared with the same period of last year. The footwear business contributed 63.0% of the revenue of the Group, higher from the 60.3% level in the first half of last year.

While achieving a healthy growth in sales, the profit margin of segment results for both the footwear business and the sportswear business improved from the same period of last year. The major reasons are as follows. The footwear business had very strong same-store-sales growth in the first half of 2011, resulting in lower expense ratios. In the sportswear business gross profit margin improved due to better product mix and a recovery in pricing.

I am pleased to report the results for the first half of 2011 as follows:

Results for the First Half Year of 2011

Revenue increased by 24.6% to RMB13,890.9 million. The footwear business maintained steady growth in sales at a fast pace of 30.1% compared with the same period of last year. The major growth drivers are same-store-sales growth and retail network expansion. With same-store-sales growth at about 21% for the first half of 2011 and the average number of stores up by about 25%, the contributions from these two main drivers are fairly balanced. The sportswear business achieved sales growth of 16.1%. A relatively fast pace of new store opening was the major contributor to the sales growth in our sportswear business.

Operating profit was RMB2,526.7 million, an increase of 38.2% from the same period of last year. The growth in operating profit is significantly higher than revenue growth, mainly because of profitability improvements in both the footwear and the sportswear segments as well as a better 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 equity holders of the Company amounted to RMB2,007.2 million, an increase of 29.0%, lower than the growth rate of operating profit. The reason is because in the first half of 2011 the effective tax rate was 23.2%, significantly higher than the 17.5% level in the same period of last year.

Earnings per share amounted to RMB23.80 cents, an increase of 29.1% from the RMB18.44 cents in the same period of last year. The board of directors (the "Board") has resolved to declare an interim dividend of RMB7.0 cents per share (2010 interim dividend: RMB5.0 cents; special dividend: RMB10.0 cents).

Summary of the Overall Business Development Strategy of the Group

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

Footwear business

Company-owned brands of the footwear business include Belle, Teenmix, Tata, Staccato, Senda, Basto, JipiJapa, Millie's, Joy & Peace and Mirabell, etc. Distribution brands include Bata, Geox, Clarks, Mephisto, BCBG, 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. In brand licensing the business model is similar to the vertically integrated model of company-owned brands, except for brand ownership. In retail distribution products are procured from brand owners and we are only responsible for retailing and distribution, without involvement in research and development, manufacturing, and brand marketing. For some distribution brands the Group is in the process of moving away from a pure retail distribution relationship and get more involved in the research and development and manufacturing of some of the products we sell in order to lower cost and provide more flexibility in the supply chain.

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

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of total**	Revenue	% of total	Growth Rate
Company-owned brands	**7,961.0**	**91.0%**	6,129.9	91.2%	29.9%
Distribution brands	**643.3**	**7.4%**	514.7	7.6%	25.0%
Sub-total	**8,604.3**	**98.4%**	6,644.6	98.8%	29.5%
International trade	**143.1**	**1.6%**	79.3	1.2%	80.5%
Total	**8,747.4**	**100.0%**	6,723.9	100.0%	30.1%

Unit: RMB million

Sportswear business

The majority of our sportswear business is in the form of retail distribution, 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.

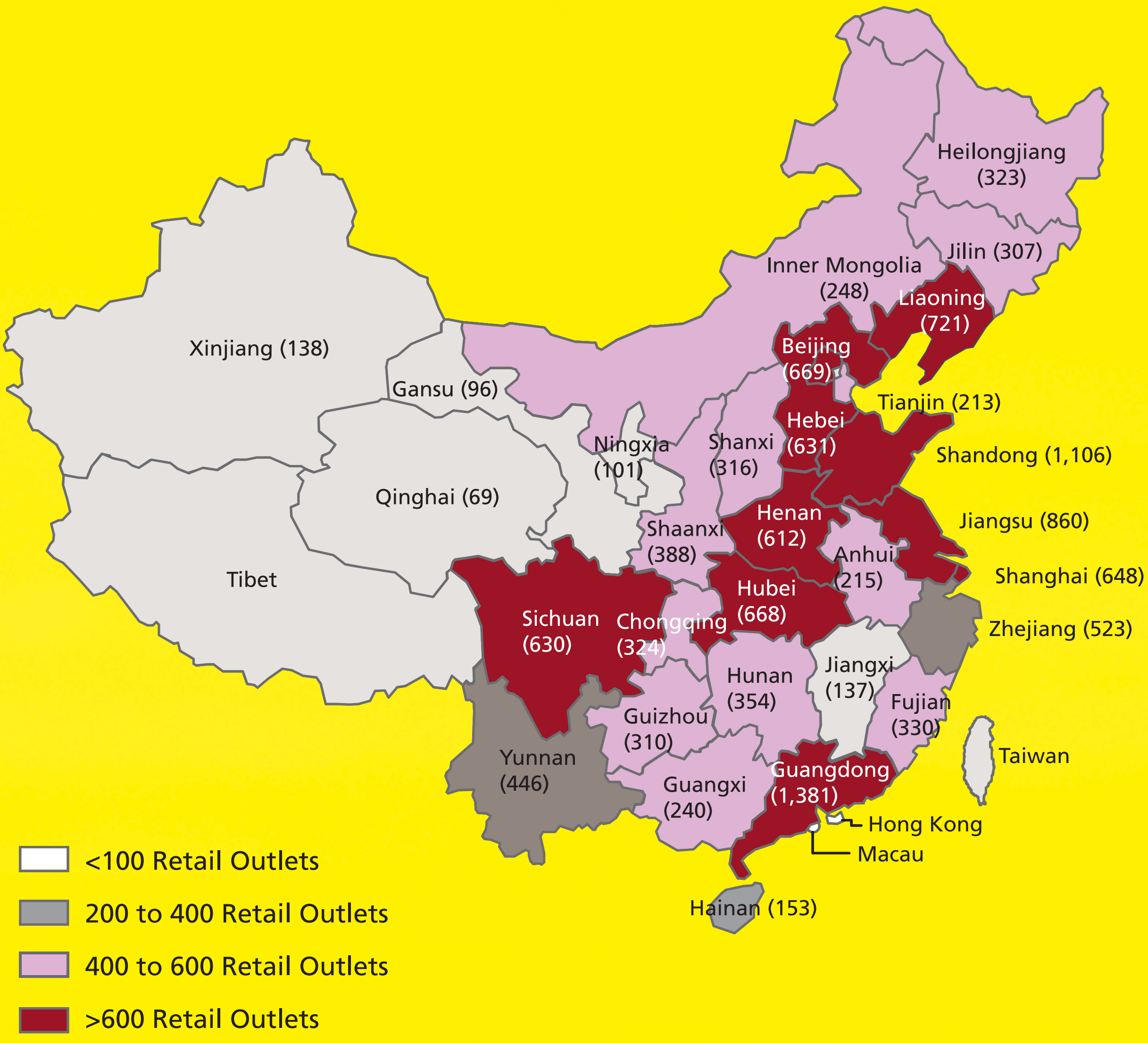
The table below sets out the revenue from our first-tier sportswear brands, second-tier sportswear brands as well as other sportswear business (including the apparel business) and their respective percentages of total revenue and comparative growth rates for the periods indicated.

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of total**	Revenue	% of total	Growth Rate
First-tier sportswear brands	**4,477.3**	**87.0%**	3,812.3	86.1%	17.4%
Second-tier sportswear brands	**611.5**	**11.9%**	568.8	12.8%	7.5%
Other sportswear business	**54.7**	**1.1%**	47.5	1.1%	15.2%
Total	**5,143.5**	**100.0%**	4,428.6	100.0%	16.1%

Unit: RMB million

Expansion of company-managed retail network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 30 June 2011.



The following table sets out the distribution of our company-managed retail outlets by region and by business segment in Mainland China as at 30 June 2011.

	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	1,392	222	1,614	584	48	—	632	2,246
Northern China	1,350	167	1,517	407	137	16	560	2,077
Southern China	1,303	115	1,418	371	106	—	477	1,895
Shandong and Henan	932	40	972	511	235	—	746	1,718
North-eastern China	788	79	867	376	108	—	484	1,351
Central China	594	63	657	260	105	—	365	1,022
South-western China	628	45	673	258	23	—	281	954
North-western China	559	64	623	138	31	—	169	792
Yunnan and Guizhou	439	27	466	187	103	—	290	756
Guangzhou	330	16	346	—	—	—	—	346
Total	8,315	838	9,153	3,092	896	16	4,004	13,157

Note: In addition, the Group operates 164 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

In the first half of 2011 the buzzwords in the Chinese economy were "Inflation" and "Macro-regulation". The consumer price index continued to climb to new highs. With significant food price inflation the cost of living was rising at a fast pace. In order to control inflation the People's Bank of China raised reserve requirements 6 times in the first 7 months of the year, and at the same time raised benchmark interest rates 3 times. In spite of the tightening monetary policy China still achieved 9.6% of GDP growth in the first half of 2011. Disposable income for urban residents also increased by 13.2% on a per capita basis.

The consumer retail market, the primary market for the Group, was not directly impacted by the tightening measures. We observed strong consumer sentiment and demand in the middle-end and mid-to-high-end retail market of fashion and lifestyle products, as represented mainly by the department store channel. The robust market conditions had positive impacts on the Group's financial results, especially for the footwear business, with strong sales growth and improved profit margins.

This has further confirmed our long-held confidence in the sustainable growth of the China consumer retail market, which is determined by the particular stage of the economic development in China and driven by the continuous demand by Chinese consumers to improve the quality of life. It is a long-term secular trend that will not be altered by short-term fluctuations and cyclical factors in the economy.

Taking into account favourable circumstances including the fast wage increase for low-income groups, higher exemption levels for personal income taxes, and other potential measures intended at promoting domestic consumption, the Group believes that in the medium and long term there is a great potential for us to expand our business externally, and at the same time, it is also possible for us to organically achieve same-store-sales growth that is higher than GDP growth.

Review of the footwear business

In the first half of 2011 the Group added 841 new outlets, net, in the footwear business in Mainland China, a pace faster than our expectations at the beginning of the year. The strong momentum in opening stores could be attributed to two main reasons. First the new brands were relatively small in scale to start with. At this particular stage of development many new brands, based on our retail platform and with strong support in supply chain, retail management and business development, have the ability to quickly penetrate into department stores where we already operate in. Millie's and Basto both opened more than 15% of new stores in the first half of this year alone, compared with the store count at the end of last year. Second, core existing brands, especially middle-end brands such as Belle, leveraging the fast down-the-market expansion of the department store channel, are steadily growing into third-tier cities as well as the suburban areas and communities in major metropolitan cities. The Belle brand alone opened more than 100 outlets, net, in the first half of this year, adding coverage in more than 20 new cities.

In addition to the fast store network expansion the Group also achieved very strong same-store-sales growth in the footwear business, reaching 21% in the first half of this year, which was not only better than the levels of the past year but also exceeding our earlier expectations. The main reasons are as follows. First and foremost, strong consumer sentiment and robust consumer spending continue to drive growth, which was reflected in the results of many listed commercial and retail companies. Second, acquired brands, such as Joy & Peace, Millie's and Mirabell, and new brands, after 2 to 3 years of integration, are seeing a payoff at this stage of their respective lifecycles, with very high same-store-sales growth. Third, a mid-to-high-single-digit increase in average selling price also contributed positively to the same-store-sales growth. Higher selling prices on the one hand reflected the prevailing cost structure and inflationary environment, and on the other hand are due to the efforts by the Group to continue to improve product mix and minimize markdown by enhancing our merchandising and operational capabilities.

In the footwear business, we were able to maintain a gross profit margin consistent with the first half of last year, which was already relatively high. There are three main reasons as follows. First, consumer demand was strong, providing support for gross margins of footwear products. Second, acquired brands and new brands obtained significant improvement in gross margins due to supply chain efficiencies and better merchandising. Third, we also observed a less promotional environment, especially in the month of May. Less discounting lifted average selling prices which in turn helped strengthen gross margins.

While the gross profit margin was slightly higher the footwear business also enjoyed lower selling expenses and general and administrative expenses as a percentage of sales, especially with selling expenses. As a result the profit margin of segment results for the footwear business improved by more than 1 percentage point, compared with the same period of last year. The main reason why expense ratios were lower was because of the operating leverage achieved through strong same-store-sales growth. In the meantime promotion-related expenses were also lower as a percentage of sales due to a less promotional environment.

The core existing business continued to grow at a strong and steady pace, not only achieving a same-store-sales growth of close to 20%, but also maintaining relatively fast retail network expansion. The core brands, as represented by the Belle brand, did not show signs of slowing down after years of consistent growth. In the first half of this year the core brands still contributed the majority of sales increment. Since the Group went public investors kept asking about expected limits for store openings and expressed concerns about growth potential of the core brands. The facts speak for themselves and the worries were proved unnecessary. At the end of June 2007 we had fewer than 1,000 outlets for the Belle brand. At this moment we have more than 1,700. In 2011 the expected sales value of the Belle brand would double that of 2007. It is our view that middle-end fashion footwear brands as represented by Belle will be in a strong position to aggressively penetrate into lower tier markets and smaller cities during a period of fast urbanization and with the department store channel moving down the market, and continue to grow.

Acquired footwear brands continued their excellent performance in 2010 and maintained strong growth momentum. Store network expansion was fast. Same-store-sales growth and top-line growth also outperformed the average footwear business. In the first half of this year acquired businesses contributed almost half of the new store additions and about one-third of sales increment, becoming one of the major growth drivers in the footwear business of the Group. In the meantime, various business metrics continued to improve on the back of stronger teams, smoother processes, and improved operational capabilities of the new brands. First, the supply chain overhaul and better merchandising helped improve product mix, resulting in less discounting, optimized inventory-to-sales ratios, and higher gross margins. Second, improved merchandising and store operations helped lift productivity on a per store basis, which in turn helped lower expense ratios and push up profitability.

Our Hong Kong business, on the back of strong performance in 2010, continued to maintain same-store-sales growth at a fairly high level in the first half of 2011. Business metrics including the operating profit margins continued to improve. It was an impressive achievement given the highly competitive nature of the Hong Kong retail market, which has to be attributed to the never-ending efforts our Hong Kong retail teams put in to continuously improve the quality of operations and management. The detail-oriented total quality approach of our Hong Kong retail teams in managing brands and retail operations has raised the bar and set a great example for our business in Mainland China. Our Hong Kong teams also provide valuable guidance and support for our retail business in Mainland China as well. Hong Kong itself is a relatively mature market. In the first half of 2011 we had slightly fewer stores than the prior year. In the coming years we expect the same-stores-sales growth to normalize as well, due to upward pressure in rental cost the profitability of our Hong Kong business may not maintain the current high levels.

Review of the sportswear business

In the first half of 2011 the sportswear business maintained moderate growth, with the same-store-sales up about 6%. The pace of store network expansion was similar to our footwear business, adding 349 new outlets, net, in the first half of 2011, with the vast majority in first-tier brands. Within first-tier brands, the lifestyle sub-brands of Nike and Adidas experienced higher growth than the main brands due to a lower base.

Operating in similar channels, faced with similar customer groups, and engaged in similar businesses, the sportswear division achieved far lower same-store-sales growth than the footwear business, indicating remaining weaknesses in the sportswear market still in the process of a recovery. A number of structural issues still need to be resolved over time.

Despite various difficulties we are observing a recovery of the sportswear market pointing to a better future. In the first half of last year there was a lot of discounting for some brands, trying to clear out excessive inventory. In the first half of this year, markdown was normalized, leading to significantly higher average selling prices. Gross margins were up by more than one percentage point. Although store staff cost was higher and certain business surtaxes increased, the improved store mix helped offset higher expense ratios. The operating profit margin of segment results for the sportswear business continued to improve from the first half of 2010 levels.

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 the first half of 2011 the sportswear segment contributed 37.0% of the total revenue of the Group, lower than the 38.2% for the full year of 2010 and the 39.7% for the first half of 2010.

In our sportswear business we are 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 profit margins and operating profit 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 wages 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.

In view of the respective pace of new store opening, same-store-sales growth and potential growth opportunities in the footwear business and the sportswear business, we expect the footwear business to outpace the sportswear business and take up a larger share of the revenue base in the next few years.

Certain business mix measures within the footwear segment would help us in the evaluation of per store productivity and profitability changes. First, there is the mix between new brands and core existing brands. Most of the new brands have 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 productivity, 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 develop the customer base. For the more mature brands, new stores usually are either suburban or community stores not located in the core commercial areas of large cities, or stores opened 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. An analysis of the composition of new stores opened in the first half of 2011 shows that, first, the new brands represented a share in the new stores larger than their share in the revenue base; second, for core existing brands, new stores are more concentrated in tier-three cities and the non-core areas in tier-one cities. The fast pace of new store opening places some pressure on store productivity improvements. However, due to the very strong same-store-sales growth in the first half of 2011, average store productivity in the footwear business still improved from the same period of last year, which helped further enhance profitability in the footwear business.

The revenue contribution from Hong Kong and Macau, as a percentage of the overall footwear business, decreased slightly to less than 7% in the first half in 2011, compared to around 8% in the same period of last year. Although same-store-sales growth was very strong, the total number of stores decreased in Hong Kong and Macau, which limited overall sales growth. Such a mix change is in line with the expectations of the Group.

Within the sportswear business, the proportional business from first-tier brands and second-tier brands remained largely consistent. First-tier brands contributed 87.0% of sportswear revenue in the first half of 2011, slightly higher from the 86.1% in the same period of last year. We do not expect this business mix to change significantly due to the similar pace of new store openings for both first-tier brands and second-tier brands. The lifestyle sub-brands of first-tier brands, such as Nike360 and Adidas Neo, are growing at a very strong pace, faster than their main brands, which will result in higher revenue contribution from these sub-brands. These sub-brands are still new with narrower market positioning than the main brands and new stores account for a large portion for these sub-brands, which resulted in lower productivity on a per store basis compared with the main brands. At the current stage per store productivity as well as expense ratios of the sportswear business will be under pressure due to a relatively low same-store-sales growth, higher portion of new stores, and higher growth from the lifestyle sub-brands.

Changes in effective corporate income tax rate

The effective income tax rate was 23.2% in the first half of 2011, significantly higher from the same period last year, by 5.7 percentage points. The main reason is because a preferential treatment of 50% reduction in the prevailing tax rate in the region enjoyed by New Belle, the major tax entity for our footwear business in Mainland China, expired at the end of 2010. In 2010 the effective income tax rate was 11% for New Belle. In 2011 the applicable rate to New Belle is 24%. From 2012 onward New Belle will be subject to an income tax rate of 25%.

He Zhong, another important subsidiary of the Group in the footwear business, is subject to a three-year preferential treatment of 50% reduction in the prevailing tax rate in the region from 2010 to 2012, the applicable rate to He Zhong would be 11%, 12% and 12.5% respectively. From 2013 He Zhong will be subject to the full income tax rate of 25%.

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 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%, and not expected to change significantly.

With the gradual expiration of the abovementioned preferential treatments as well as certain regional tax holidays, in the next few years the effective income tax rate of the Group is expected to step up gradually. We will continue to work with government bodies and taxation agencies at various levels and actively seek preferential tax treatments, tax rebates or other subsidies on a reasonable and practical basis, under conditions of promoting employment and developing local economies.

Inventory turnover

The average inventory turnover days remained steady at 153.0 days for the first half of 2011, compared with 152.6 days for the year of 2010. The inventory turnover for the footwear business was 185.5 days and for the sportswear business was 125.2 days, both at healthy levels.

The inventory turnover of the footwear business is usually longer than the sportswear business due to the vertically integrated business model adopted in the footwear business which requires, besides finished goods in the distribution channel, both raw materials and work-in-process in the manufacturing process, whereas only finished products are required for the sportswear business.

Because of the pivotal importance of inventory in the retail of fashion products the Group has always been focusing on improving merchandising and operational capabilities in order to maintain optimal levels of inventory. Our systematic approach includes the following three essential elements. First, we monitor sales and inventory at a detailed level on a timely basis. Second, our local managers take timely actions to deal with slow-moving inventory, including in-city transfers, on-the-spot promotions, tactical pricing, and moving to discount channels. Third and the most important piece, the vertically integrated model of the Group enables responsive replenishment of inventory and thus provides more flexibility in the supply chain, ensuring the supply of the right products that meet market demand. We believe that these processes and arrangements not only help us capture potential sales opportunities but also work effectively to minimize inventory risk and fashion risk.

Currently inventory turnover ratios of the Group are at an optimal level, with satisfactory product mix as well. As a result we do not expect inventory turnover days to decrease significantly in the near future.

The impact of higher costs and an inflationary environment

Coming into 2011 inflation started to pick up. The pressure of rising costs is posing a real and direct challenge to the business of the Group.

In the footwear business of the Group, in-house manufacturing accounts for the majority of the products we sell, with only limited outsourcing. In the footwear business cost of sales is mainly consisted of the cost of manufacturing. The majority of manufacturing cost is in raw material, with genuine leather being the main component. Cowhide and sheepskin, the main footwear upper materials, experienced significant price rebound in 2010 after bottoming out in 2009 and continued to see higher prices in 2011. In the first half of this year there was a spike in pork price in the domestic market, and as a result pigskin leather, used as interior material for genuine leather shoes, also had a significant price run-up. Other raw materials including nylon, plastics, glue and accessories also increased in cost due to a general cost inflation from oil and commodities.

Direct labour accounts for about 15-20% of footwear cost of manufacturing. Within manufacturing overheads there is also a considerable portion in staff cost. As a result wage cost, a fairly rigid cost, is an important component of cost of manufacturing. In the first half of this year many regions further raised minimum wage requirements. As a result, our main production bases in the Pearl River Delta experienced significant wage increases in the first half of this year. The new factory in Anhui Province is still in the process of ramping up. Although wage rate is much lower in the Anhui facility it is not yet in a position to help lower unit wage cost of the footwear business due to low efficiencies compared with the main facilities. With the wage cost continuing to rise we are expecting pressure on manufacturing cost and gross margins in the second half of the year.

To summarize, with higher cost of raw material and continued wage inflation, the cost of manufacturing is expected to be under pressure in the second half of the year and going forward. Whether we can maintain the gross margins of the footwear business depends on the increase in average selling prices. The managerial philosophy of the Group has always been to put more emphasis on enhancing merchandising and achieving higher realized prices by improving product mix and reducing marking down, and not just by arbitrarily raising label prices, in order to maintain and improve gross margins. We believe that at a time when the whole industry is faced with the same challenge from cost inflation we would be in a better position to manage cost pressure and maintain industry-leading gross margins on the back of a flexible supply chain and more sophisticated merchandising and operational capabilities.

In selling and distribution the largest two expense items are rent and retail staff cost. Most of our footwear and sportswear stores are shop-in-shops located in department stores, where rent is not fixed but in the form of concessionaire fees. The concessionaire rate in tier-one and tier-two cities is and will continue to be rising due to higher property cost and operational expenses. However our business has been growing faster in tier-three cities, where the cost including concessionaire rate is significantly lower than tier-one and tier-two cities. In the past two to three years we have been able to maintain a fairly steady concessionaire rate for both the footwear and the sportswear businesses. Based on the current pace of store network expansion and regional distribution it is expected that we will be able to maintain relatively stable concessionaire rates for both the footwear business and the sportswear business in the near future.

The wage increase for retail staff will be a persistent trend going forward. In the next two to three 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. From the vantage point of the society as a whole, only when the majority of the people can share in the fruits of economic development and obtain more financial freedom can there be an economy driven mainly by domestic demand and consumption, which would in turn provide necessary support for us to achieve continued improvement in store productivity. We believe that, when we regard increased wage cost as an investment in human resources, when our managers at all levels firmly believe in the "We are together" managerial philosophy and act accordingly, when management truly care about nearly 60,000 frontline employees in 13,000 outlets and treat them as equals, our frontline workers will work harder in return with higher efficiencies and quality services to the customers, which will ensure sustainable growth in store productivity and keep staff expense ratios at reasonable levels.

Prospects and Strategic Positioning

Changes in the macro economy, oscillations of policy directions and fluctuations in the capital markets are becoming the norm. However we have been fortunate to be in a business that continuously benefits from the growing Chinese consumers and the rise of the consumer retail market. Our business has never directly relied on any specific economic occurrence or government policy and as a result is rarely impacted directly by changes in the external environment. The Group firmly believes that in the long run China will continue to develop socially and economically and the consumer retail market will grow both in breadth and in depth, providing enormous room and potential for our business to grow and develop.

In the foreseeable future we are going to focus on developing our business in Mainland China. First, the China market holds enormous potentials for growth. Second, our core expertise and skills are also concentrated in the China market. The Group has always been open to developing the international market. In the first half of this year total exports exceeded RMB100 million. Some of our company-owned brands such as Staccato already have a sizable franchisee network in Europe and South Asia, with a continuously rising profile. We are committed to keeping the development of our own brands in the international marketplace. But until we have adequate resources and skills we do not plan to rush into direct sales and the retail business in foreign countries.

In the first decade of our entrepreneurial journey the Group was mainly in the business of manufacturing and selling ladies' fashion footwear. Fashion brands enjoyed supernormal growth in the 1990s driven by strong demand from Chinese consumers as they were looking for their "first pair of shoes". In just over 10 years the fashion footwear brands of the Group such as the Belle brand became leading women's footwear brands in China. Currently in the women's genuine leather footwear market the Group owns six of the top-ten ranked brands, and accounts for a significant share of the women's shoe section in department stores. Brand coverage by the Group in the middle-end women's footwear segment and mid-to-high-end women's fashion footwear segment is largely complete. Next step is first to leverage the strength of our brand and the expansion of the channels in an effort to continuously penetrate into lower tier markets; and second to further strengthen the frontline sales force in an effort to continuously realize same-store-sales potential. The middle-end women's footwear brands and mid-to-high-end women's fashion footwear brands of the Group provide not only stability for the Group but also offensive growth in the penetration into new markets given the prevailing backdrop of rapid expansion of the channels down the market and fast wage growth for potential customers that are approaching the point of becoming our target customers. The Group plans to further its experiment and innovation on incentive schemes and corporate culture in order to build the right team, organization, and corporate culture to facilitate future growth.

In the women's fashion footwear category a potential opportunity for the Group is an extension of the existing price range. From the perspective of corporate culture and resources we do not think luxury brands would fit into our business. We are open, though, to high-end fashion brands, and the main approach is to collaborate with established brands. Down a notch from the middle-end brands we currently have, there is the low-end footwear segment and mass-market footwear segment, with enormous market size, and a potential match for a company with a complete supply chain and established retail teams. For the two possible target segments mentioned above we are currently in the process of conducting market research and assembling resources in preparation for organic growth based mainly on existing teams and resources.

During the second decade the Group entered the sportswear market, and more recently the casual footwear market. These moves were based on our judgment as to the direction where the China footwear market was going. In developed countries in Europe and America the market for formal and fashion footwear was limited, while athletic and casual footwear accounts for the majority of the overall footwear market. It is our view that as the Chinese consumers continue to enjoy fast increases in disposable income and the demand for the "first pair of shoes" is more or less satisfied they will aspire to wear different types of shoes for different occasions, which will create a vast market for athletic and casual footwear. The fact that from year 2000 the sportswear market in China enjoyed tremendous growth in a way supported our view.

In the sportswear market consumer behavior is usually centered on the brand itself, accentuating the critical value of branding. As a result, with the current sportswear business model, which is solely retail distribution, opportunities for in-depth business integration are limited, except for lateral expansion. We will continue to actively develop the sportswear business based on the following considerations. First, the size of the sportswear market is very large in general and in China there is a potential for high growth going forward. Second, as one of the largest distributors for Nike and Adidas globally, it is in our interest to keep growing the business in order to maintain bargaining power and improve commercial terms. Third, operating the sportswear business will help the Group maintain a rich collection of brands and products in multiple categories, enabling us in the effort to develop the multi-brand store format and to diversify existing sales channels. Fourth, with the exposure to sportswear brands we are in a better position to accumulate experience with apparel products.

Casual and outdoors footwear products currently do not have a sizeable market share in China, indicating significant growth potential going forward. Since we entered the casual and outdoors footwear business the Group has quickly made inroads in this market segment with a fairly large market share at the moment. Next step, first we are going to leverage the existing brand portfolio and actively expand store coverage to grow the customer base. Second we are going to get more involved in the supply chain and with continuous learning and improvement in craftsmanship try to design and manufacture a higher portion of the products internally. Third, we are going to actively look to introduce new brands. Fourth, we plan to work with brand owners closely in order to align the interests and to build a more strategic partnership.

The discussion above is mainly based on market segmentation by category and product function. In order to further assess market opportunities we could also segment the market according to target customer groups. Along the gender line, the Group has been focused on the female consumers as the core customer group. In recent years we started to put more emphasis on developing male customers. First, we acquired the number one ranked brand in the male genuine leather footwear market – Senda. Second there is a higher portion of male customers in the sportswear and casual footwear brand businesses. Third, we also sell men's shoes in the traditionally women's fashion footwear stores such as Belle and Tata, and currently in certain regions the Belle brand has been able to open men's footwear stores. Men's footwear has been growing relatively fast in recent years. In our view the current brand portfolio is strong enough to address the target market segment. Next step we plan to allocate more resources and invest in the further growth of our men's footwear business. Observe the market in terms of age groups and we will find more potential opportunities. Currently the main customer group of our footwear and sportswear businesses is concentrated in the young adult groups aged 20 to 40. Other age groups are hardly covered. The specific circumstances in the China market dictate that in the market segments targeting youth and children there are great market potential both in terms of market size and in terms of purchasing power. This market segment will be an important area for us to develop in the future. The specific skills and resources required in this business are in a way different from our existing skill set and resources. As a result we would be more inclined to enter this segment by acquisition, investment, or cooperation with established parties.

As a leading retailer in China the Group understands the critical importance of the sales channels and has always been proactive in exploring emerging trends. On the one hand we have been actively experimenting with the multi-brand store format specifically designed for the shopping mall channel, combining multiple brands, multiple categories, and various age groups into one store. This retail store format not only serves customers better with more convenience but also helps to share expense burdens and improve efficiencies. With the fast growth of the shopping mall channel in China these experiments by the Group will help us develop competitive advantages in the future. On the other hand, online shopping is quickly being accepted by the Chinese consumers and will become an important sales channel going forward. The urban population in China is fairly concentrated and the logistic infrastructure is also up-to-date with cost advantages, providing a supportive environment for the development of ecommerce. The Group has been actively involved in the ecommerce business for 3 years and accumulated valuable experience along the way. Next step we plan to significantly ramp up investment in the B2C arm, leveraging our advantages in products and supply chain, adopting state of the art operations in ecommerce, continuing to develop new customers by providing more and better choices with quality products and a rich collection of product categories.

The businesses we acquired 3 years ago are entering a stage of fast growth and efficiency gains at the moment, providing strong growth momentum for the next few years. Even as the Group keeps delivering good business results, we still need to remain agile and alert. We need to plan ahead and remain prepared for the sustainable growth in the next 3 to 5 years and beyond.

Sheng Baijiao
CEO and Executive Director

25 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group continued to benefit from steady growth. During the six months ended 30 June 2011, the Group recorded revenue and operating profit of RMB13,890.9 million and RMB2,526.7 million respectively, achieving growth rate of 24.6% and 38.2% respectively. The profit attributable to the Company's equity holders during the period under review amounted to RMB2,007.2 million, an increase of 29.0% when compared with the same period of last year, lower than the growth rate of operating profit. It is because the effective tax rate in the first half of 2011 was 23.2%, higher than 17.5% in the same period of last year.

Revenue

The Group's revenue increased by 24.6% to RMB13,890.9 million for the six months ended 30 June 2011 from RMB11,152.5 million for the six months ended 30 June 2010. This was mainly attributable to the continually steady growth of sales generated from both the footwear business and the sportswear business as compared with the corresponding period of last year. Sales from the footwear business and the sportswear business increased by RMB2,023.5 million and RMB714.9 million respectively, from RMB6,723.9 million and RMB4,428.6 million for the six months ended 30 June 2010 to RMB8,747.4 million and RMB5,143.5 million for the six months ended 30 June 2011.

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**7,961.0**	**57.4%**	6,129.9	55.0%	29.9%
Distribution brands	**643.3**	**4.6%**	514.7	4.6%	25.0%
International trade	**143.1**	**1.0%**	79.3	0.7%	80.5%
Sub-total	**8,747.4**	**63.0%**	6,723.9	60.3%	30.1%
Sportswear					
First-tier sportswear brands*	**4,477.3**	**32.2%**	3,812.3	34.2%	17.4%
Second-tier sportswear brands*	**611.5**	**4.4%**	568.8	5.1%	7.5%
Other sportswear business	**54.7**	**0.4%**	47.5	0.4%	15.2%
Sub-total	**5,143.5**	**37.0%**	4,428.6	39.7%	16.1%
Total	**13,890.9**	**100.0%**	11,152.5	100.0%	24.6%

Unit: RMB million

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

Profitability

On account of the continuous growth of the Group's business, the operating profit increased by 38.2% to RMB2,526.7 million. The profit attributable to the Company's equity holders increased by 29.0% to RMB2,007.2 million in the first half of 2011.

	Six months ended 30 June					
	2011		2010		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	*%*	*%*
Revenue	**8,747.4**	**5,143.5**	6,723.9	4,428.6	30.1	16.1
Cost of sales	**(2,749.4)**	**(3,220.3)**	(2,124.6)	(2,831.9)	29.4	13.7
Gross profit	**5,998.0**	**1,923.2**	4,599.3	1,596.7	30.4	20.4
Gross profit margin (%)	**68.6**	**37.4**	68.4	36.1		

Cost of sales increased by 20.4% from RMB4,956.5 million for the six months ended 30 June 2010 to RMB5,969.7 million for the six months ended 30 June 2011. The increase in cost of sales was lower than the increase in revenue. It is mainly due to the increase in proportional sales of the footwear business to the Group's revenue in the first half of 2011.

Gross profit increased by 27.8% to RMB7,921.2 million for the six months ended 30 June 2011 from RMB6,196.0 million for the six months ended 30 June 2010. Gross profit in the Group's footwear segment increased by 30.4% to RMB5,998.0 million for the six months ended 30 June 2011 from RMB4,599.3 million for the six months ended 30 June 2010. Gross profit in the sportswear segment increased by 20.4% to RMB1,923.2 million for the six months ended 30 June 2011 from RMB1,596.7 million for the six months ended 30 June 2010.

During the period under review, the gross profit margin of the footwear business and the sportswear business was 68.6% and 37.4% respectively. Comparing to the same period of last year, no material changes in those of both businesses were observed. Owing to differences in the respective business models, sportswear products generally have lower gross profit margins than footwear products. As there has been a change in the Group's proportional sales between the footwear business and the sportswear business, the Group's gross profit margin as a whole increased to 57.0% for the six months ended 30 June 2011 from 55.6% for the six months ended 30 June 2010.

Selling and distribution expenses for the six months ended 30 June 2011 amounted to RMB4,425.2 million (2010: RMB3,584.0 million), primarily consisting of concessionaire fees and rental expenses, sales personnel salaries and commissions, depreciation charges on retails outlet decorations, and advertising and promotional expenses. General and administrative expenses for the six months ended 30 June 2011 amounted to RMB996.1 million (2010: RMB801.8 million), primarily consisting of management and administrative personnel salaries, and depreciation charges on office premises and office equipment. In terms of percentages, the ratio of selling and distribution expenses and general and administrative expenses to revenue ratio was 31.9% (2010: 32.1%) and 7.2% (2010: 7.2%) respectively.

Interest income increased to RMB82.4 million for the six months ended 30 June 2011 from RMB58.5 million for the six months ended 30 June 2010. It is mainly due to the increase in the overall bank deposit interest rates and proportion of structured bank deposits with higher interest rate earned for the six months ended 30 June 2011.

Interest expense increased to RMB4.8 million for the six months ended 30 June 2011 from RMB0.1 million in the same period of last year, as a result of the increase in bank borrowings. During the six months ended 30 June 2011, Renminbi appreciated against Hong Kong dollars by 2.32%, together with the fact that the Group's bank borrowings are denominated in Hong Kong dollar, the Group recorded net foreign exchange gains of approximately RMB8.4 million (2010: net foreign exchange losses of RMB0.3 million).

Income tax expense for the six months ended 30 June 2011 amounted to RMB605.6 million (2010: RMB331.0 million). The effective income tax rate increased by 5.7 percentage points to 23.2% in the first half of 2011 from 17.5% in the same period of last year. The main reason is New Belle Footwear (Shenzhen) Limited ("New Belle"), a major domestic operating unit of the Group in the footwear business, was subject to a higher corporate income tax rate of 24% in 2011 (2010: 11%). It was granted a 50% reduction in income tax from 2008 to 2010 and started to be subject to standard tax rate in 2011. New Belle and He Zhong Apparel (Shenzhen) Limited ("He Zhong"), another major domestic operating unit, are both incorporated in Shenzhen, a special economic zone where the standard tax rate is 24% in 2011 (2010: 22%). He Zhong was exempted from corporate income taxes in 2008 and 2009, and was granted a 50% reduction in income tax from 2010 to 2012. Hence, He Zhong was subject to a corporate income tax rate of 12% in 2011 (2010: 11%). On the other hand, the corporate income tax rate for the Senda business is 25% and the average corporate income tax rate for the sportswear business is approximately 25%.

Liquidity and Financial Resources

The Group maintains a strong and healthy balance sheet. As at 30 June 2011, the net working capital of the Group was RMB10,928.5 million, representing an increase of 2.0% or RMB215.2 million as compared with 31 December 2010. As at 30 June 2011, the Group's gearing ratio was 7.6% (31 December 2010: 3.3%) (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets). The Group's current ratio was 3.3 times (31 December 2010: 4.1 times) (Current ratio is calculated by using the following formula: Current Assets / Current Liabilities).

During the period under review, net cash generated from operations increased by RMB60.8 million to RMB2,395.9 million from RMB2,335.1 million of the same period of last year.

Net cash used in investing activities for the six months ended 30 June 2011 was RMB1,859.4 million (2010: RMB845.1 million). During the period, the Group invested approximately RMB1,220.2 million and RMB661.6 million on net deposit in structured bank deposits and purchase of property, plant and equipment respectively.

During the period under review, net cash used in financing activities was RMB227.7 million (2010: RMB1,405.7 million), mainly attributable to the 2010 final and special dividend payment of RMB1,349.5 million, and partly offset by net proceeds from borrowings of RMB1,073.6 million.

As at 30 June 2011, the Group held cash and cash equivalents, structured bank deposits and term deposits with initial terms of over three months totaling RMB6,849.6 million (31 December 2010: RMB5,893.2 million), and was in a net cash position of RMB5,113.2 million (31 December 2010: RMB5,212.5 million) after netting off the short-term borrowings of RMB1,736.4 million (31 December 2010: RMB680.7 million).

Pledge of Assets

As at 30 June 2011, no property, plant and equipment, land use rights and investment properties were pledged as security for banking facilities available to the Group (31 December 2010: nil).

Contingent Liabilities

As at 30 June 2011, the Group had no material contingent liabilities.

Human Resources

As at 30 June 2011, the Group had a total of 98,564 employees (31 December 2010: 87,619 employees). The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance.

Interim Dividend

The Board has resolved to declare an interim dividend of RMB7.0 cents per share (2010 interim dividend: RMB5.0 cents; special dividend: RMB10.0 cents) amounting to RMB590.4 million (2010 interim dividend: RMB421.7 million; special dividend: RMB843.4 million) for the year ending 31 December 2011. The interim dividend will be paid on or about 27 October 2011 to members whose names appear on the register of members of the Company on 30 September 2011.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the official exchange rate of RMB against Hong Kong dollars (HK$1.00=RMB0.82015) as quoted by the People's Bank of China on 25 August 2011, being the date on which the interim dividend is declared by the Board. Accordingly, the amount of the interim dividend is HK8.54 cents per share.

Closure of Register of Members

The interim dividend will be paid on or about 27 October 2011 to the shareholders whose names appear on the register of members of the Company on 30 September 2011. The register of members of the Company will be closed from Thursday, 29 September 2011, to Friday, 30 September 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 28 September 2011.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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

Introduction

We have reviewed the interim financial information set out on pages 28 to 47, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2011

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CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Note	***RMB'000***	*RMB'000*
Revenue	4	**13,890,854**	11,152,507
Costs of sales		**(5,969,702)**	(4,956,506)
Gross profit		**7,921,152**	6,196,001
Selling and distribution expenses		**(4,425,200)**	(3,584,040)
General and administrative expenses		**(996,102)**	(801,827)
Other income		**26,870**	18,312
Operating profit	5	**2,526,720**	1,828,446
Finance income		**90,803**	58,492
Finance costs		**(4,784)**	(409)
Finance income, net	6	**86,019**	58,083
Profit before income tax		**2,612,739**	1,886,529
Income tax expense	7	**(605,570)**	(330,977)
Profit for the period attributable to equity holders of the Company		**2,007,169**	1,555,552
Earnings per share attributable to equity holders of the Company during the period	8		
– basic		**RMB23.80 cents**	RMB18.44 cents
– diluted		**RMB23.80 cents**	RMB18.44 cents

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Profit for the period	**2,007,169**	1,555,552
Other comprehensive loss		
Exchange differences	**(9,000)**	(9,440)
Other comprehensive loss for the period, net of tax	**(9,000)**	(9,440)
Total comprehensive income for the period	**1,998,169**	1,546,112
Attributable to equity holders of the Company	**1,998,169**	1,546,112

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2011

	Note	**Unaudited 30 June 2011** *RMB'000*	Audited 31 December 2010 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2,491,402**	2,353,665
Land use rights	10	**811,365**	628,632
Investment properties	10	**11,326**	11,682
Intangible assets	10	**2,689,876**	2,713,341
Long-term deposits and prepayments		**893,289**	657,057
Deferred income tax assets		**190,972**	191,667
Structured bank deposits	12	**—**	102,228
		7,088,230	6,658,272
Current assets			
Inventories		**5,232,391**	4,859,137
Trade receivables	11	**2,278,107**	2,119,676
Deposits, prepayment and other receivables		**1,310,031**	1,352,220
Structured bank deposits	12	**4,083,476**	2,732,177
Term deposits with initial terms of over three months	12	**806,852**	886,242
Cash and cash equivalents	13	**1,959,240**	2,172,532
		15,670,097	14,121,984
Non-current assets held for sale	14	**50,601**	51,776
		15,720,698	14,173,760
Total assets		**22,808,928**	20,832,032

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

	Note	Unaudited 30 June 2011 RMB'000	Audited 31 December 2010 RMB'000
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	**83,056**	83,056
Share premium	15	**9,214,078**	9,214,078
Reserves		**8,466,359**	7,817,667
Total equity		**17,763,493**	17,114,801
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**172,506**	176,761
Deferred income		**80,751**	80,024
		253,257	256,785
Current liabilities			
Trade payables	16	**1,121,196**	1,105,766
Other payables, accruals and other current liabilities		**1,130,264**	961,700
Short-term borrowings	17	**1,736,423**	680,744
Current income tax liabilities		**804,295**	712,236
		4,792,178	3,460,446
Total liabilities		**5,045,435**	3,717,231
Total equity and liabilities		**22,808,928**	20,832,032
Net current assets		**10,928,520**	10,713,314
Total assets less current liabilities		**18,016,750**	17,371,586

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited							
	Capital and reserves attributable to equity holders of the Company							
	Share capital *RMB'000* *(Note 15)*	**Share premium** *RMB'000* *(Note 15)*	**Merger reserve** *RMB'000*	**Statutory reserves** *RMB'000*	**Capital redemption reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Total** *RMB'000*
For the six months ended 30 June 2011								
As at 1 January 2011	**83,056**	**9,214,078**	**3,531**	**407,895**	**70**	**(50,425)**	**7,456,596**	**17,114,801**
Profit for the period	—	—	—	—	—	—	**2,007,169**	**2,007,169**
Other comprehensive loss:								
Exchange differences	—	—	—	—	—	**(9,000)**	—	**(9,000)**
Total comprehensive (loss)/income for the period	—	—	—	—	—	**(9,000)**	**2,007,169**	**1,998,169**
Dividends	—	—	—	—	—	—	**(1,349,477)**	**(1,349,477)**
As at 30 June 2011	**83,056**	**9,214,078**	**3,531**	**407,895**	**70**	**(59,425)**	**8,114,288**	**17,763,493**
For the six months ended 30 June 2010								
As at 1 January 2010	83,056	9,214,078	3,531	407,895	70	(20,198)	5,634,569	15,323,001
Profit for the period	—	—	—	—	—	—	1,555,552	1,555,552
Other comprehensive loss:								
Exchange differences	—	—	—	—	—	(9,440)	—	(9,440)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(9,440)	1,555,552	1,546,112
Dividends	—	—	—	—	—	—	(337,369)	(337,369)
As at 30 June 2010	83,056	9,214,078	3,531	407,895	70	(29,638)	6,852,752	16,531,744

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Unaudited	
	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Cash flows from operating activities		
Net cash generated from operations	**2,395,905**	2,335,101
Income tax paid	**(517,071)**	(209,879)
Net cash generated from operating activities	**1,878,834**	2,125,222
Cash flows from investing activities		
Payments for purchase of property, plant and equipment	**(661,636)**	(316,770)
Payments for purchase of intangible assets and land use rights	**(13,607)**	(7,794)
Proceeds from sale of property, plant and equipment	**1,091**	2,704
Prepayments for equity investments	**(45,000)**	—
Placement of structured bank deposits	**(2,620,240)**	(3,163,000)
Uplift of structured bank deposits	**1,400,000**	1,585,000
Decrease in term deposits with initial terms of over three months	**80,000**	1,054,758
Net cash used in investing activities	**(1,859,392)**	(845,102)
Cash flows from financing activities		
Dividends paid	**(1,349,477)**	(337,369)
Interest received	**52,953**	46,981
Interest paid	**(4,784)**	(74)
Proceeds from borrowings	**1,243,812**	—
Repayments of borrowings	**(170,186)**	—
Repayment of bills of exchange	**—**	(1,115,253)
Net cash used in financing activities	**(227,682)**	(1,405,715)
Net decrease in cash and cash equivalents	**(208,240)**	(125,595)
Cash and cash equivalents at beginning of the period	**2,172,532**	1,690,548
Effect on foreign exchange	**(5,052)**	(5,457)
Cash and cash equivalents at end of the period	**1,959,240**	1,559,496

The notes on pages 34 to 47 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General Information

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

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2011 is unaudited and has been reviewed by the audit committee and the external auditor of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 25 August 2011.

2 Basis of Preparation

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2010.

3 Accounting Policies

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2010, except as mentioned below.

(a) Effect of adopting amendments to standards and interpretations

In 2011, the Group adopted IAS 34 (amendment), "Interim financial reporting", which is mandatory for accounting periods beginning on or after 1 January 2011.

Amendment to IAS 34 "Interim financial reporting" is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

3 Accounting Policies (continued)

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

The following amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2011. 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 2010, except for amendment to IAS 34 "Interim financial reporting" as disclosed above
IAS 24 (revised)	Related party disclosures
IAS 32 (amendment)	Classification of right issues
IFRIC Int 14 (amendment)	Prepayments of a minimum funding requirement
IFRIC Int 19	Extinguishing financial liabilities with equity instruments

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

The following new standards and amendments to standards have been issued but are not effective for 2011 and have not been early adopted by the Group:

IFRS 7 (amendment)	Disclosures – transfers of financial assets (1)
IFRS 9	Financial instruments (2)
Additions to IFRS 9	Financial instruments – financial liabilities (2)
IFRS 10	Consolidated financial statements (2)
IFRS 11	Joint arrangements (2)
IFRS 12	Disclosures of interests in other entities (2)
IFRS 13	Fair value measurement (2)
IAS 1 (amendment)	Presentation of financial statements (2)
IAS 12 (amendment)	Deferred tax: recovery of underlying assets (1)
IAS 19 (2011)	Employee benefits (2)
IAS 27 (2011)	Separate financial statements (2)
IAS 28 (2011)	Investments in associates and joint ventures (2)

(1) Effective for the Group for annual period beginning on 1 January 2012.

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

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

4 Segment Information

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

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

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

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

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

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

4 Segment Information (continued)

	Six months ended 30 June 2011				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Total reportable segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue					
Sales of goods	8,747,357	5,115,097	13,862,454	—	13,862,454
Commissions from concessionaire sales	—	28,400	28,400	—	28,400
	8,747,357	5,143,497	13,890,854	—	13,890,854
Results of reportable segments	2,196,864	375,981	2,572,845	—	2,572,845
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					2,572,845
Amortization of intangible assets					(24,286)
Unallocated income					1,927
Unallocated expenses					(23,766)
Operating profit					2,526,720
Finance income					90,803
Finance costs					(4,784)
Profit before income tax					2,612,739
Income tax expense					(605,570)
Profit for the period					2,007,169
Other segment information					
Depreciation on property, plant and equipment	164,967	105,740	270,707	7,820	278,527
Amortization of land use rights	5,141	3,727	8,868	—	8,868
Depreciation on investment properties	—	—	—	356	356
Amortization of intangible assets	23,884	402	24,286	—	24,286
Write-off of property, plant and equipment	3,417	1,706	5,123	—	5,123
Loss on disposal of property, plant and equipment	2	37	39	—	39
Additions to non-current assets	378,756	119,560	498,316	176,927	675,243

4 Segment Information (continued)

	As at 30 June 2011				
	Shoes and footwear products RMB'000	Sportswear products RMB'000	Total reportable segments RMB'000	Unallocated RMB'000	Total RMB'000
Segment assets	10,168,302	5,147,686	15,315,988	—	15,315,988
Goodwill	1,651,893	485,261	2,137,154	—	2,137,154
Other intangible assets	552,239	483	552,722	—	552,722
Inter-segment balances elimination	(1,734,774)	—	(1,734,774)	—	(1,734,774)
	10,637,660	5,633,430	16,271,090	—	16,271,090
Investment properties				11,326	11,326
Non-current assets held for sale				50,601	50,601
Terms deposits with initial terms of over three months				806,852	806,852
Structured bank deposits				4,083,476	4,083,476
Deferred income tax assets				190,972	190,972
Other unallocated assets				1,394,611	1,394,611
Total assets per condensed consolidated balance sheet					22,808,928
Segment liabilities	1,521,578	2,531,069	4,052,647	—	4,052,647
Inter-segment balances elimination	—	(1,734,774)	(1,734,774)	—	(1,734,774)
	1,521,578	796,295	2,317,873	—	2,317,873
Short-term borrowings				1,736,423	1,736,423
Current income tax liabilities				804,295	804,295
Deferred income tax liabilities				172,506	172,506
Other unallocated liabilities				14,338	14,338
Total liabilities per condensed consolidated balance sheet					5,045,435

4 Segment Information (continued)

	Six months ended 30 June 2010				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Total reportable segments *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Revenue					
Sales of goods	6,723,925	4,405,979	11,129,904	—	11,129,904
Commissions from concessionaire sales	—	22,603	22,603	—	22,603
	6,723,925	4,428,582	11,152,507	—	11,152,507
Results of reportable segments	1,604,016	288,142	1,892,158	—	1,892,158
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					1,892,158
Amortization of intangible assets					(42,814)
Unallocated income					1,150
Unallocated expenses					(22,048)
Operating profit					1,828,446
Finance income					58,492
Finance costs					(409)
Profit before income tax					1,886,529
Income tax expense					(330,977)
Profit for the period					1,555,552
Other segment information					
Depreciation on property, plant and equipment	147,109	97,041	244,150	12,771	256,921
Amortization of land use rights	4,157	3,726	7,883	—	7,883
Depreciation on investment properties	—	—	—	356	356
Amortization of intangible assets	22,846	19,968	42,814	—	42,814
Write-off of property, plant and equipment	3,690	—	3,690	—	3,690
Loss on disposal of property, plant and equipment	—	742	742	—	742
Additions to non-current assets	231,257	91,677	322,934	1,630	324,564

4 Segment Information (continued)

	As at 31 December 2010				
	Shoes and footwear products *RMB'000*	Sportswear products *RMB'000*	Total reportable segments *RMB'000*	Unallocated *RMB'000*	Total *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
Terms 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 condensed 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 condensed consolidated balance sheet					3,717,231

4 Segment Information (continued)

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Revenue		
The PRC	**13,158,568**	10,529,676
Hong Kong and Macau	**589,149**	537,355
Other locations	**143,137**	85,476
	13,890,854	11,152,507

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

	As at 30 June 2011			As at 31 December 2010		
	The PRC	**Hong Kong and Macau**	**Total**	The PRC	Hong Kong and Macau	Total
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets						
Property, plant and equipment	**2,116,472**	**374,930**	**2,491,402**	1,970,434	383,231	2,353,665
Land use rights	**811,365**	**—**	**811,365**	628,632	—	628,632
Investment properties	**11,326**	**—**	**11,326**	11,682	—	11,682
Intangible assets	**2,618,119**	**71,757**	**2,689,876**	2,641,584	71,757	2,713,341
Long-term deposits and prepayments	**863,880**	**29,409**	**893,289**	619,586	37,471	657,057
Structured bank deposits	**—**	**—**	**—**	102,228	—	102,228
	6,421,162	**476,096**	**6,897,258**	5,974,146	492,459	6,466,605

5 Operating Profit

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Costs of inventories recognized as expenses included in cost of sales	**5,967,720**	4,955,602
Depreciation on property, plant and equipment	**278,527**	256,921
Depreciation on investment properties	**356**	356
Amortization of land use rights	**8,868**	7,883
Amortization of intangible assets	**24,286**	42,814
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**2,833,912**	2,524,974
Staff costs (including directors' emoluments)	**1,892,785**	1,334,965
Write-off of property, plant and equipment	**5,123**	3,690
Loss on disposal of property, plant and equipment	**39**	742

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

6 Finance Income, Net

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest income on bank deposits	**16,492**	24,807
Interest income from structured bank deposits	**65,902**	33,685
Net foreign exchange gains	**8,409**	—
	90,803	58,492
Interest expense on short-term bank borrowings, wholly repayable within 5 years	**(4,784)**	(74)
Net foreign exchange losses	**—**	(335)
	(4,784)	(409)
Finance income, net	**86,019**	58,083

7 Income Tax Expense

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Current income tax		
– PRC corporate income tax	**590,033**	276,558
– Hong Kong profits tax	**15,106**	4,577
– Macau income tax	**4,896**	1,742
Over-provision in prior years		
– PRC corporate income tax	**(332)**	—
– Hong Kong profits tax	**(573)**	(628)
Deferred income tax	**(3,560)**	48,728
	605,570	330,977

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Group, as being wholly foreign-owned enterprises in Shenzhen, the PRC. Certain subsidiaries established in the PRC are also entitled to a two-year exemption for income taxes followed by 50% reduction in income taxes for the ensuing three years. These companies have been subject to reduced tax rates ranging from 12% to 24% during the period (2010: 11% to 22%). The tax rates for these companies will be gradually increased to 25% towards year 2013. Hong Kong profits tax and Macau income tax have been provided for at the rate of 16.5% (2010: 16.5%) and at the tax rates prevailing in Macau respectively on the estimated assessable profit for the period.

8 Earnings per Share

Basic

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

	Six months ended 30 June	
	2011	2010
Profit for the period attributable to equity holders of the Company *(RMB'000)*	**2,007,169**	1,555,552
Weighted average number of ordinary shares for the purposes of basic earnings per share *(thousand of share)*	**8,434,233**	8,434,233
Basic earnings per share *(RMB cents per share)*	**23.80**	18.44

Diluted

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

9 Dividends

(a) At a meeting held on 25 August 2011, the directors declared an interim dividend of RMB7.0 cents per share (totaling RMB590,396,000) for the year ending 31 December 2011. This dividend is not reflected as dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

(b) At a meeting held on 23 March 2011, the directors recommended a final dividend of RMB6.0 cents per share (totaling RMB506,054,000) and a special dividend of RMB10.0 cents per share (totaling RMB843,423,000) for the year ended 31 December 2010, which were paid during the period and have been reflected as an appropriation of retained earnings for the six months ended 30 June 2011.

(c) At a meeting held on 24 August 2010, the directors declared an interim dividend of RMB5.0 cents per share (totaling RMB421,712,000) and a special dividend of RMB10.0 cents per share (totaling RMB843,423,000) for the year ended 31 December 2010, which were paid and have been reflected as an appropriation of retained earnings during the year ended 31 December 2010.

10 Capital Expenditure

	Property, plant and equipment	Land use rights	Investment properties	Goodwill	Other intangible assets *(note)*	Total intangible assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value as at 1 January 2011	**2,353,665**	**628,632**	**11,682**	**2,137,154**	**576,187**	**2,713,341**	**5,707,320**
Additions	**431,078**	**191,601**	**—**	**—**	**821**	**821**	**623,500**
Depreciation/amortization	**(278,527)**	**(8,868)**	**(356)**	**—**	**(24,286)**	**(24,286)**	**(312,037)**
Disposals/written off	**(6,253)**	**—**	**—**	**—**	**—**	**—**	**(6,253)**
Exchange differences	**(8,561)**	**—**	**—**	**—**	**—**	**—**	**(8,561)**
Net book value as at 30 June 2011	**2,491,402**	**811,365**	**11,326**	**2,137,154**	**552,722**	**2,689,876**	**6,003,969**
Net book value as at 1 January 2010	2,054,016	526,684	12,393	2,137,154	657,120	2,794,274	5,387,367
Additions	316,770	7,000	—	—	794	794	324,564
Depreciation/amortization	(256,921)	(7,883)	(356)	—	(42,814)	(42,814)	(307,974)
Disposals/written off	(7,136)	—	—	—	—	—	(7,136)
Exchange differences	(1,486)	(1,366)	—	—	—	—	(2,852)
Net book value as at 30 June 2010	2,105,243	524,435	12,037	2,137,154	615,100	2,752,254	5,393,969

Note:

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

11 Trade Receivables

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 30 June 2011, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
0 to 30 days	**2,167,329**	2,019,606
31 to 60 days	**72,256**	39,092
61 to 90 days	**13,789**	19,344
Over 90 days	**24,733**	41,634
	2,278,107	2,119,676

The carrying amounts of trade receivables approximate their fair values.

12 Structured Bank Deposits and Term Deposits with Initial Terms of Over Three Months

Structured bank deposits and term deposits with initial terms of over three months are denominated in RMB. The weighted average effective interest rate of the Group's structured bank deposits as at 30 June 2011 was 4.01% (31 December 2010: 3.45%). The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 30 June 2011 was 2.60% (31 December 2010: 2.45%).

13 Cash and Cash Equivalents

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Cash and bank balances	**1,701,323**	1,685,887
Term deposits with initial terms of less than three months	**257,917**	486,645
	1,959,240	2,172,532
Denominated in		
RMB	**1,797,983**	1,949,910
HK$	**124,042**	198,233
Other currencies	**37,215**	24,389
	1,959,240	2,172,532

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 30 June 2011 was 1.53% (31 December 2010: 1.04%).

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

14 Non-current Assets Held for Sale

Non-current assets held for sale represent an office premises located in Hong Kong that management intends to dispose of within twelve months. The asset is stated at the lower of their carrying amounts and fair value less costs to sell.

15 Share Capital and Share Premium

Share capital

	Ordinary shares of HK$0.01 each *Number of shares*	Nominal amount *RMB'000*
Authorized:		
As at 1 January 2010, 31 December 2010 and 30 June 2011	30,000,000,000	296,038
Issued and fully paid:		
As at 1 January 2010, 31 December 2010 and 30 June 2011	8,434,233,000	83,056

Share premium

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

Share option scheme

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

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

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

No options have been granted under the Share Option Scheme since its adoption and up to 30 June 2011.

16 Trade Payables

The normal credit period for trade payables generally ranges from 0 to 30 days. As at 30 June 2011, the aging analysis of trade payables is as follows:

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
0 to 30 days	**880,265**	916,658
31 to 60 days	**225,963**	181,055
Over 60 days	**14,968**	8,053
	1,121,196	1,105,766

The carrying amounts of trade payables approximate their fair values.

17 Borrowings

As at 30 June 2011, the Group's bank borrowings were unsecured and carried interest at floating rates. The weighted average effective interest rate was 1.40% (31 December 2010: 1.34%). 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.

18 Capital Commitments

	As at	
	30 June 2011	31 December 2010
	RMB'000	*RMB'000*
Purchase of a property in the PRC:		
– Contracted but not provided for	**440,500**	607,500
Construction commitments:		
– Authorised but not contracted	**3,000**	44,350
– Contracted but not provided for	**138,596**	145,654
	141,596	190,004
Acquisition of subsidiaries:		
– Contracted but not provided for	**48,420**	—

19 Related Party Transactions

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

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Key management compensation		
– Salaries, bonuses and other welfare *(Note)*	**9,824**	9,800

Note:

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

GENERAL INFORMATION

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

As at 30 June 2011, 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

(i) Interests in issued shares of the Company

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

Notes:

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

(2) These ordinary shares of HK$0.01 each in the share capital of Company ("Shares") were held by Profit Leader Holdings Limited ("Profit Leader"). 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 63.78% of the issued share capital of Profit Leader.

(3) Effective from 13 April 2011, Mr. Sheng Baijiao is interested in the Shares through 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" of Note 15 to the Condensed Consolidated Interim Financial Information.

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

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

As at 30 June 2011, 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
Credit Suisse Trust Limited	Trustee	4,021,750,000 (L)	47.68%
Handy Limited	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%
Best Contact Holdings Limited	Interest in controlled corporation *(Note 2)*	657,750,000 (L)	7.80%
Merry Century	Interest in controlled corporation *(Note 3)*	2,745,375,000 (L)	32.55%
Golden Coral Holdings Limited	Interest in controlled corporation *(Note 3)*	2,745,375,000 (L)	32.55%

Notes:

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

(2) These Shares were held by Handy Limited. Best Contact Holdings Limited was interested in 59.57% of the issued share capital of Handy Limited.

(3) These Shares were held by Profit Leader. Merry Century was interested in 53.34% of the issued share capital of Profit Leader. Golden Coral Holdings Limited was interested in 36.22% of the issued share capital of Profit Leader.

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or were recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares of underlying shares of the Company as at 30 June 2011.

Purchase, Sale and Redemption of Securities

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company had complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

Model Code for Securities Transactions by Directors

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

Audit Committee

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

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial information for the six months ended 30 June 2011.

Remuneration Committee

The primary duties of the remuneration committee include (but without limitation) making recommendations to the Directors on the 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.

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

Sufficiency of Public Float

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

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