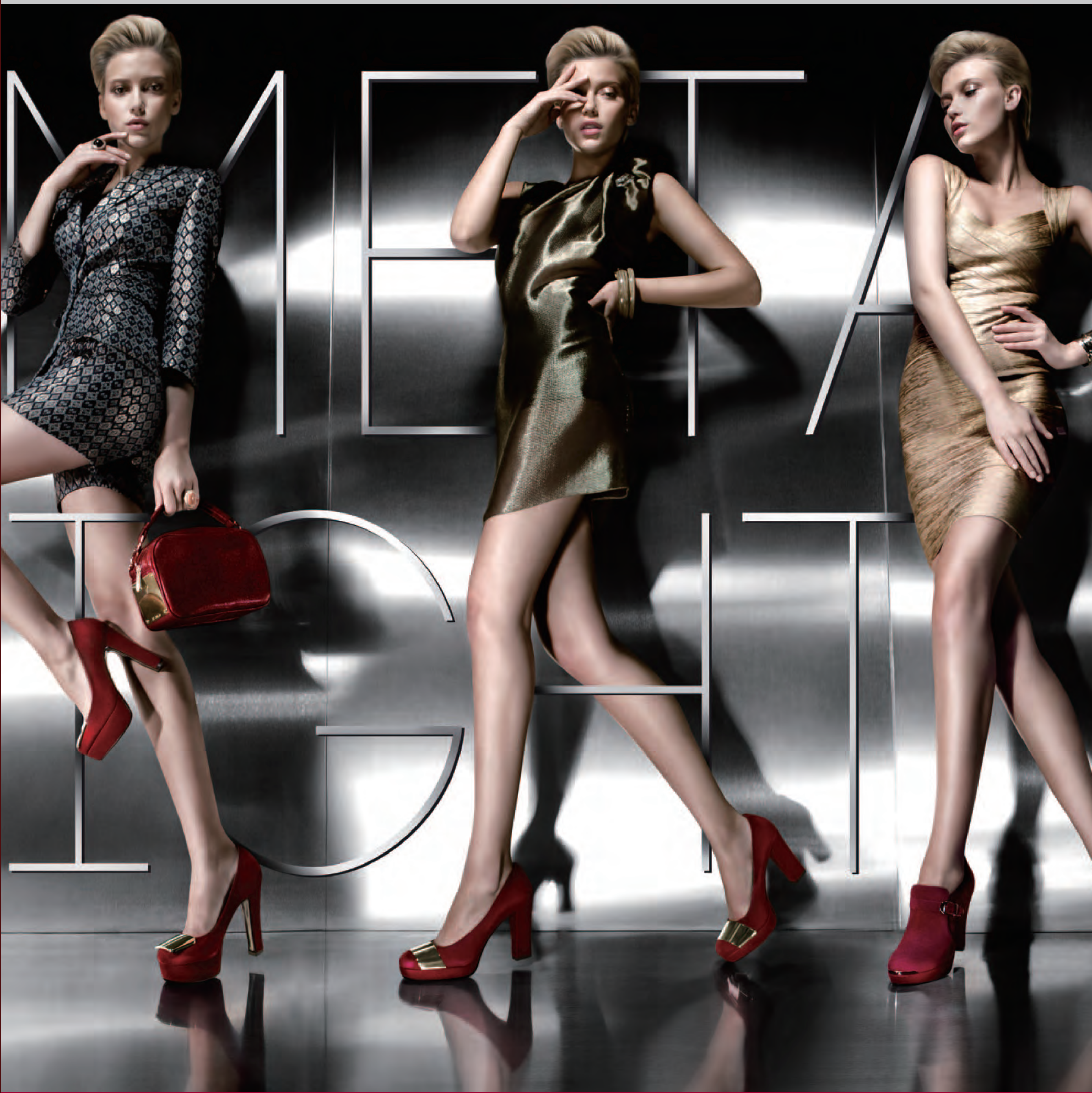
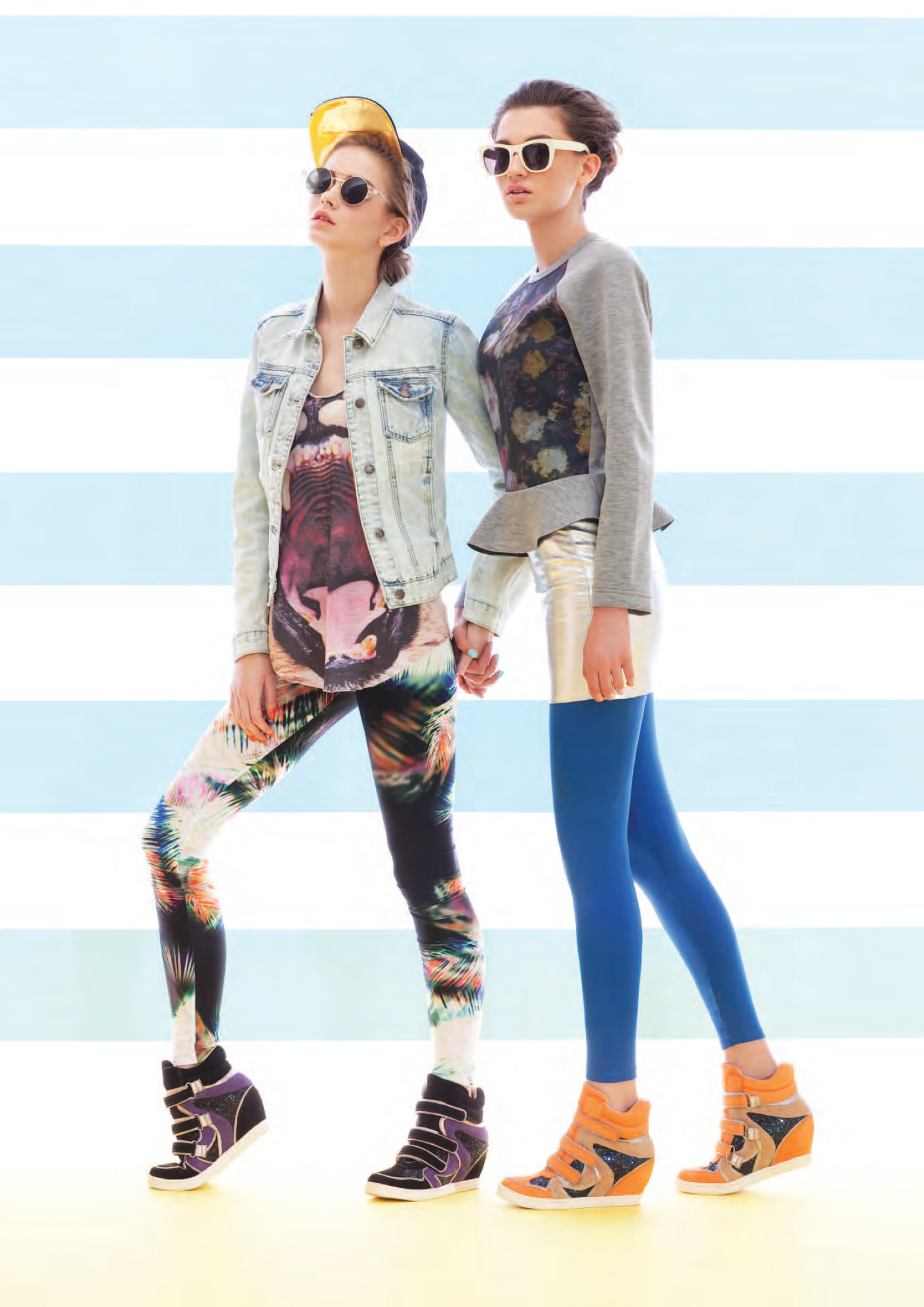


Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1880)

Interim Report 2013



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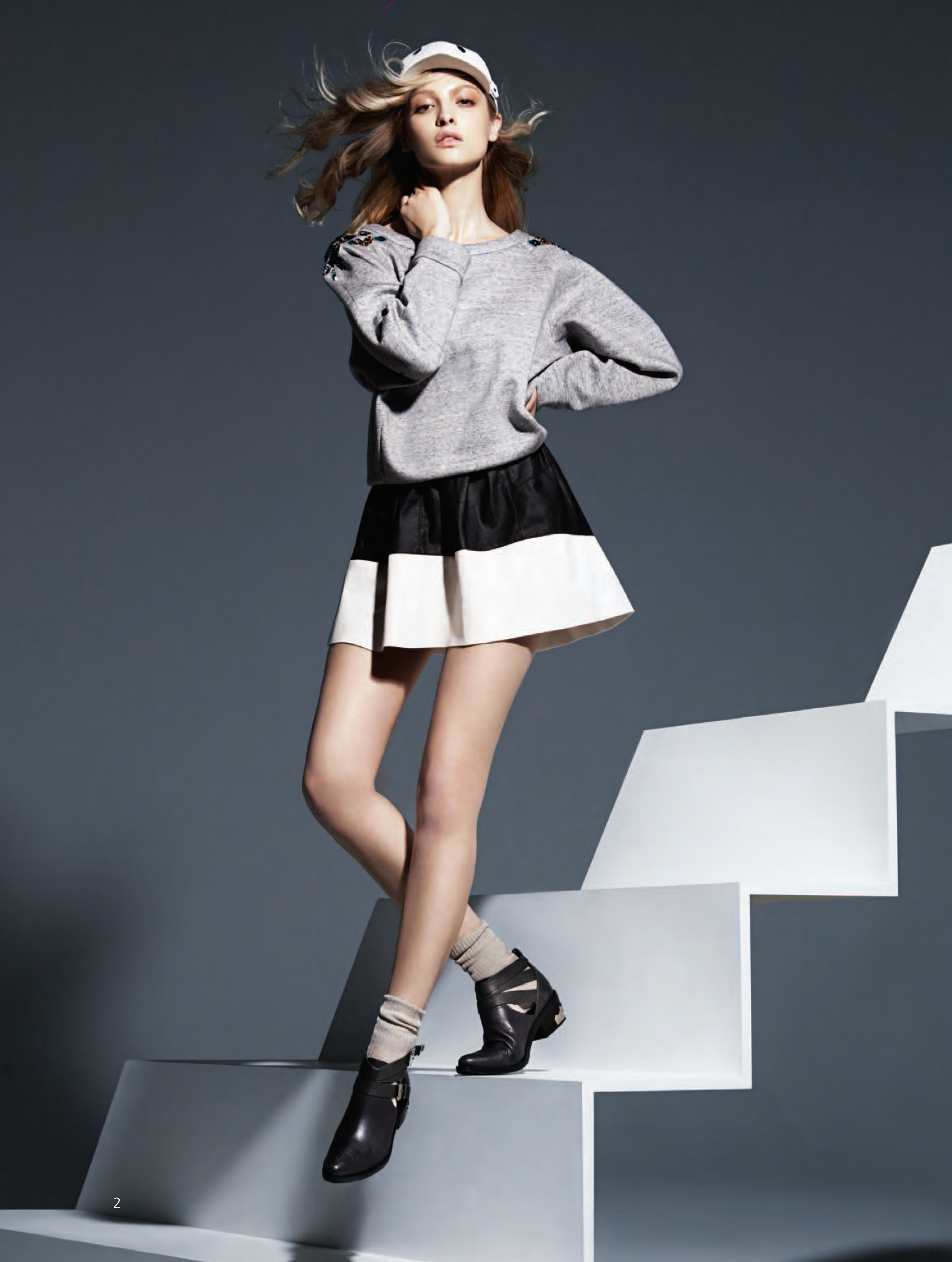


CORPORATE INFORMATION

Board of Directors

Chairman

Mr. Tang Yiu
(Non-executive Director)

Executive Directors

Mr. Sheng Baijiao
(Chief Executive Officer)
Mr. Tang King Loy
Mr. Sheng Fang

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

Nomination Committee

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

Company Secretary

Mr. Leung Kam Kwan, FCPA

Registered Office

Offshore Incorporation
(Cayman) Limited
Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

9/F Belle Tower
918 Cheung Sha Wan Road
Cheung Sha Wan
Hong Kong

Stock Code

1880

Website

www.belleintl.com

Legal Advisor

Cleary Gottlieb Steen &
Hamilton (Hong Kong)
39/F Bank of China Tower
1 Garden Road
Central
Hong Kong

Auditor

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

Principal Share Registrar

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong
Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

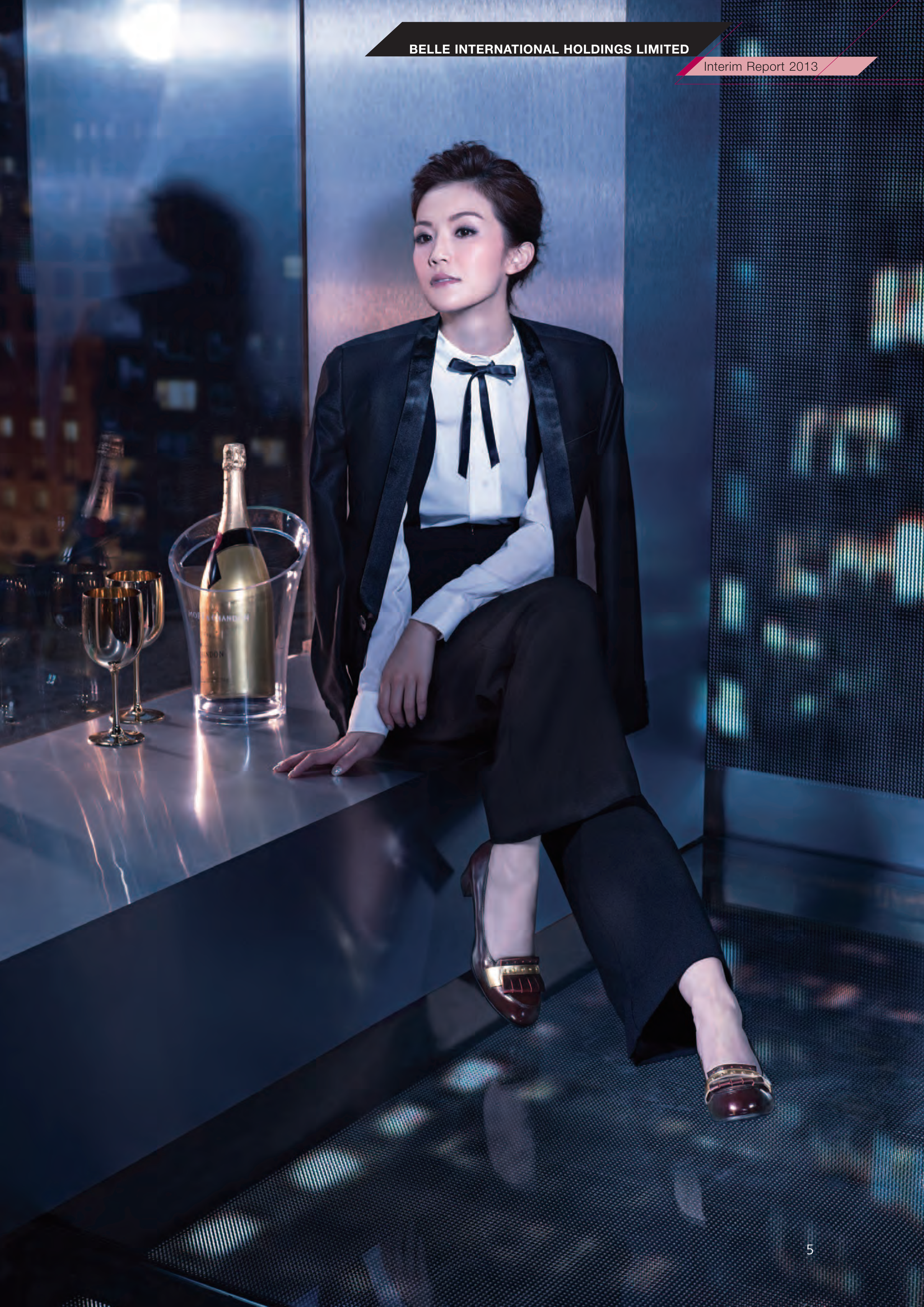
Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2013	2012
Revenue	RMB million	**17,799.7**	16,024.1
Operating profit	RMB million	**2,757.2**	2,809.5
Income tax expense	RMB million	**782.5**	694.1
Profit attributable to the Company's equity holders	RMB million	**2,167.2**	2,242.4
Gross profit margin	%	**56.9**	56.6
Operating profit margin	%	**15.5**	17.5
Profit margin attributable to the Company's equity holders	%	**12.2**	14.0
Earnings per share			
– basic	RMB cents	**25.70**	26.59
– diluted	RMB cents	**25.70**	26.59
Interim dividend per share	RMB cents	**8.00**	8.00

		As at	
		30 June 2013	31 December 2012
Gearing ratio	%	**6.9**	7.6
Current ratio	times	**3.3**	3.3
Average trade receivables turnover period	days	**32.1**	32.7
Average trade payables turnover period	days	**31.2**	30.8
Average inventory turnover period	days	**167.5**	173.9



STATEMENT FROM CHAIRMAN

Dear Shareholders,

In the first half of 2013, market conditions were generally not meeting earlier expectations of most market participants. Economic growth was lackluster. Consumer confidence was low. Additionally, the colder than usual weather in April and the avian flu situation in certain regions during the spring also added pressure on the consumer retail market.

Under an unfortunate backdrop of difficult economy, unsupportive natural environment, and challenging business environment, all my colleagues continued to work hard and achieved decent results. Although revenue growth slowed down and profits were slightly lower from the same period of last year, when compared with industry peers, such results were adequate and respectable.

For the six months ended 30 June 2013 the Group recorded 11.1% revenue growth, a small decline of 1.9% in operating profit, and a decline of 3.4% in profit attributable to equity holders of the Company as compared with the same period of last year. In a weak environment, the Group was able to make timely adjustments in business strategy and tactics, which helped to maintain a healthy set of business metrics.

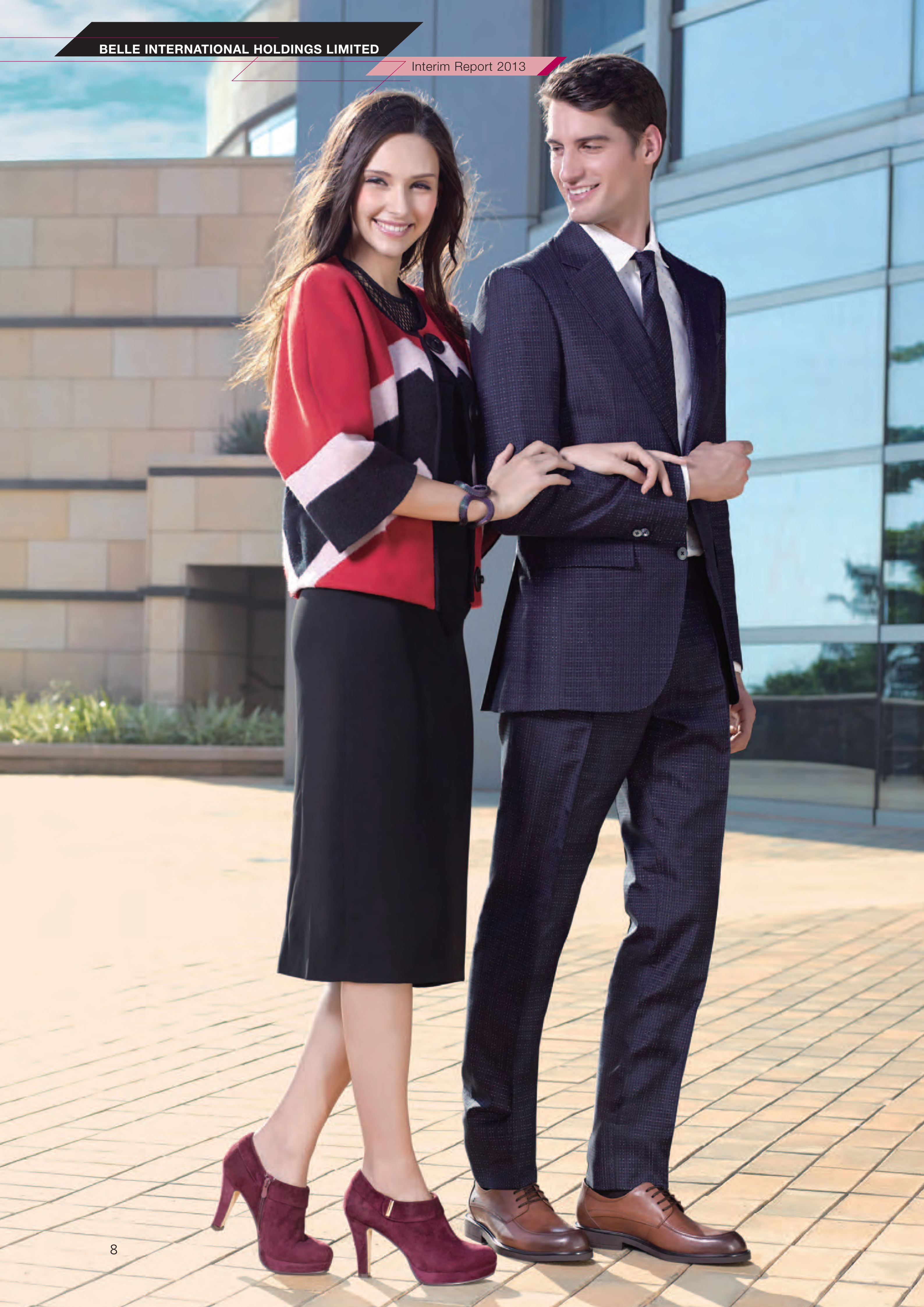
The Group continued to actively and prudently expand the retail outlet network. There were 442 net additions to company-managed footwear retail outlets and 310 net additions to company-managed sportswear retail outlets during the first half of this year in Mainland China. As at 30 June 2013 the total number of company-managed retail outlets reached 18,471, of which 18,316 are located in Mainland China and 155 in Hong Kong and Macau.

Apart from all the negative signs of an economic slowdown the Group also identified a number of positives signs that are gradually emerging. First, the macroeconomic policy is expected to moderate and relax, gradually turning to the direction of stabilizing growth, promoting consumption, and structurally cutting taxes. Second, with the continuously rising wages and disposable income for ordinary workers, the mainstream consumer group is going to further consolidate its base, which is expected to promote continued expansion of demand for quality branded products. Third, a slowdown in CPI growth together with the continued impact of regulation on the real estate market would effectively lower inflation expectations, which generally is positive for consumer confidence.

As such, while fully aware of the short term market pressure and ready to adjust operational tactics, the Group is not pessimistic toward the overall market environment. Our confidence in the sustainable growth of the Chinese economy and in the long term potential of the China consumer retail market has never wavered. I believe the Group with its 120,000 employees will continue to carry on the passion as well as the practical, learning and proactive culture created and polished over the past twenty years, to continue to improve our capabilities and market competitiveness. We are also determined to continue to acquire new skills and expand our skill sets to ensure long term sustainable growth of the Group.

Tang Yiu
Chairman

23 August 2013



STATEMENT FROM CEO

Dear Shareholders,

On behalf of the board of directors (the "Board") and all employees of the Group, I hereby report the results for the first half of 2013 as follows:

RESULTS FOR THE FIRST HALF OF 2013

The Group's revenue increased by 11.1% to RMB17,799.7 million in the first half of 2013 compared with the same period of last year. Revenue of the footwear business increased by 6.8% to RMB10,944.8 million compared with the same period of last year. The sportswear business recorded revenue of RMB6,854.9 million, up by 18.7% compared with the same period of last year. The footwear business contributed 61.5% of the revenue of the Group, slightly lower from the 64.0% level in the first half of last year.

The Group's operating profit was RMB2,757.2 million, a decline of 1.9% from the same period of last year. On the one hand, domestic retail market continued to be weak, resulting in sluggish same store sales growth in the footwear business. At the same time, staff cost and operational expenses went up, resulting in a decline in profit margin of segment results for the footwear business.

Profit attributable to the equity holders of the Company amounted to RMB2,167.2 million, a decline of 3.4%, slightly more pronounced than the decline in operating profit because of the increase of effective tax rate.

Earnings per share amounted to RMB25.70 cents. The Board has resolved to declare an interim dividend of RMB8.0 cents (2012 interim dividend: RMB8.0 cents) per ordinary share.

STATEMENT FROM CEO

SUMMARY OF THE OVERALL BUSINESS DEVELOPMENT STRATEGY OF THE GROUP

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

Footwear business

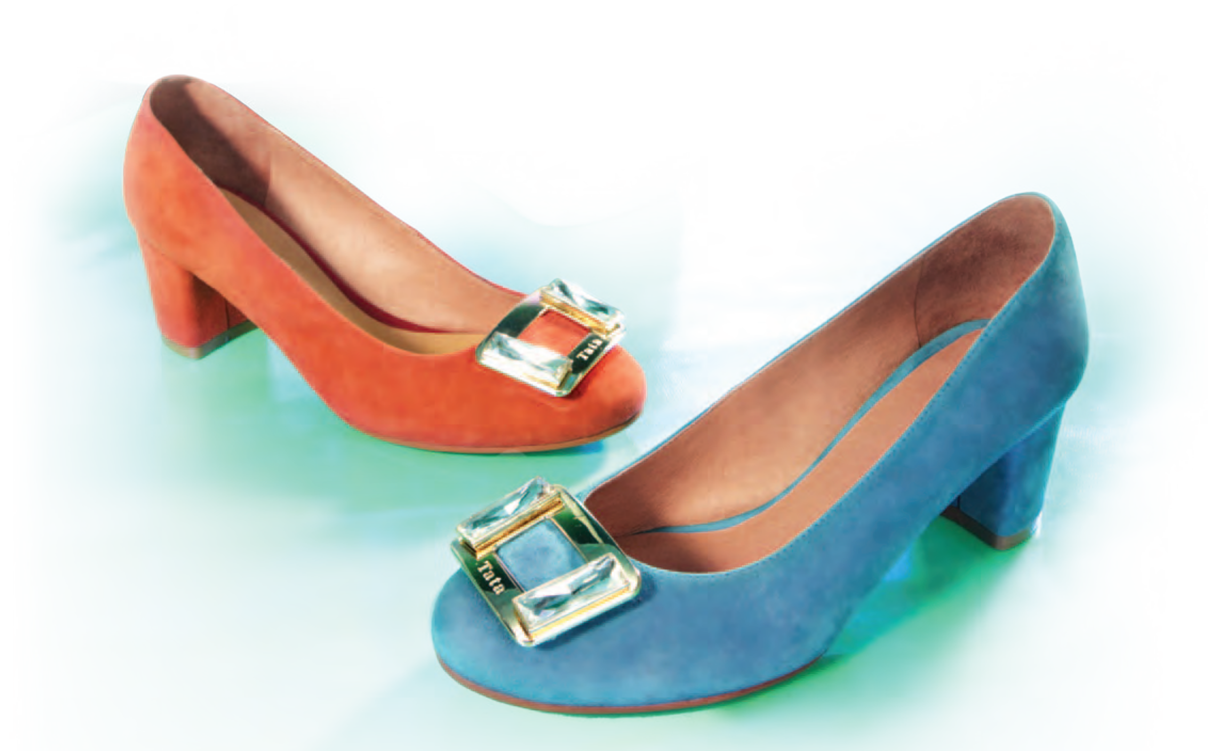
Company-owned brands mainly include Belle, Teenmix, Tata, Staccato, Senda, Basto, Jipi Japa, Millie's, Joy & Peace, :15MINS, Mirabell, etc. Distribution brands mainly include Bata, Clarks, Hush Puppies, Mephisto, BCBG, Merrell, Caterpillar, etc.

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 mainly in two different models, brand licensing and retail distribution.

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

	Six months ended 30 June				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**10,018.8**	**91.6%**	9,165.1	89.4%	9.3%
Distribution brands	**812.2**	**7.4%**	879.9	8.6%	(7.7%)
Sub-total	**10,831.0**	**99.0%**	10,045.0	98.0%	7.8%
International trade	**113.8**	**1.0%**	203.4	2.0%	(44.1%)
Total	**10,944.8**	**100.0%**	10,248.4	100.0%	6.8%

Unit: RMB million



STATEMENT FROM CEO

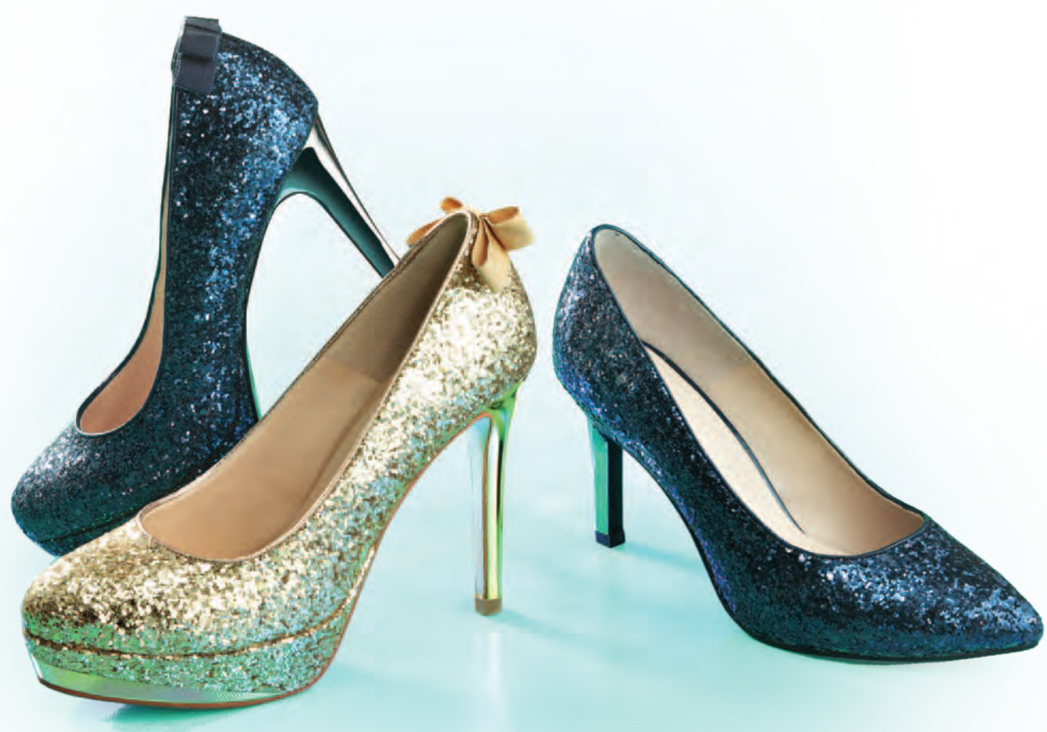
Sportswear business

The majority of the sportswear business is in the form of retail distribution, including first-tier sportswear brands Nike and Adidas, and second-tier sportswear brands PUMA, Converse, Mizuno, 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 approximately 90% 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 more extensive 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 of the sportswear business from our first-tier sportswear brands, second-tier sportswear brands as well as other sportswear business (including the apparel business) of the Group, and their respective percentages of total revenue and comparative growth rates for the periods indicated.

	Six months ended 30 June				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands	**6,091.1**	**88.9%**	5,117.8	88.6%	19.0%
Second-tier sportswear brands	**715.1**	**10.4%**	632.1	11.0%	13.1%
Other sportswear business	**48.7**	**0.7%**	25.8	0.4%	88.8%
Total	**6,854.9**	**100.0%**	5,775.7	100.0%	18.7%

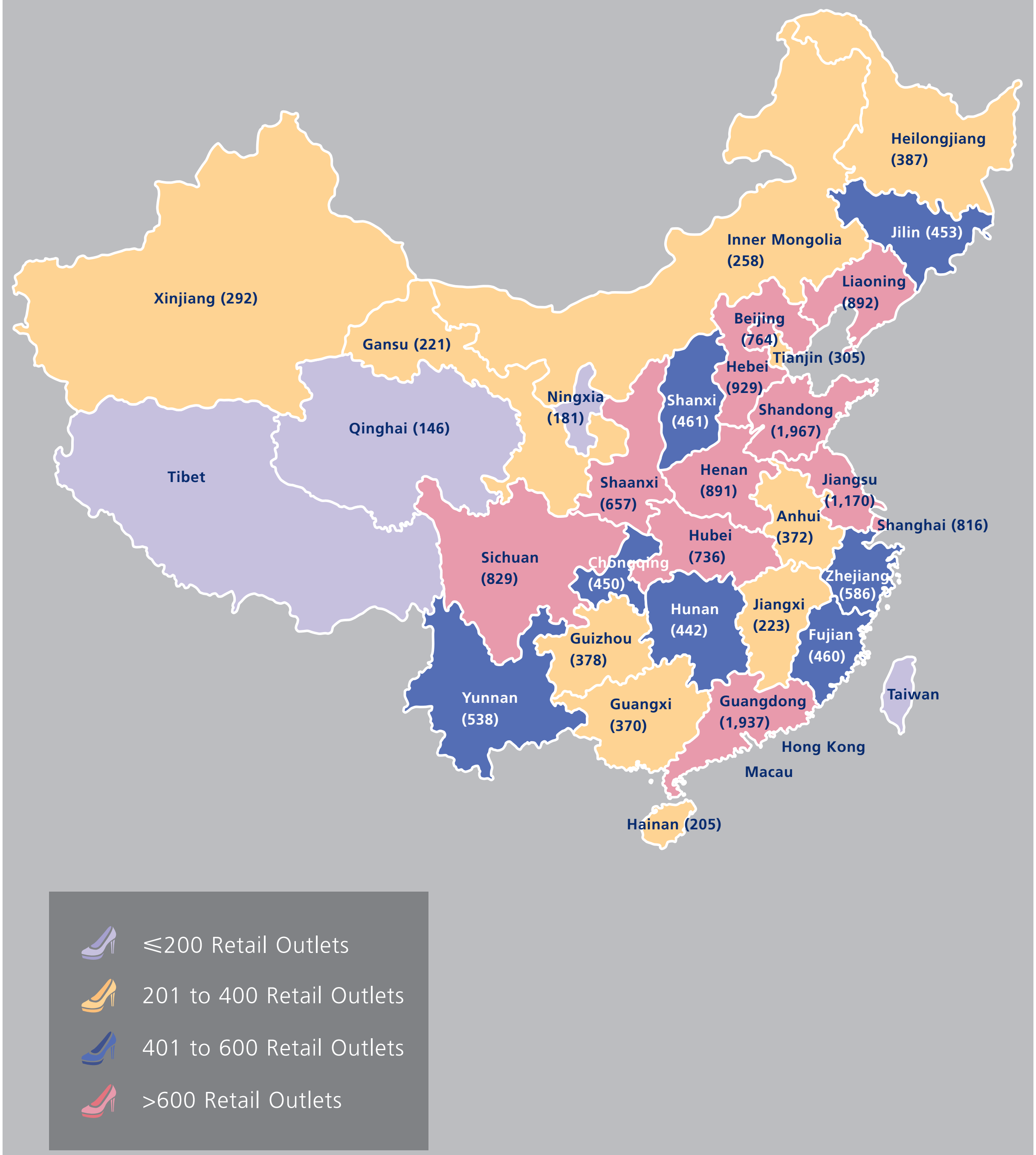
Unit: RMB million



STATEMENT FROM CEO

Expansion of company-managed retail outlet network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 30 June 2013.



STATEMENT FROM CEO

The following table sets out the distribution of the company-managed retail outlets of the Group by region and by business segment in Mainland China as at 30 June 2013.

	Number of Company-managed Retail Outlets						
	Footwear			Sportswear			
Region	Company-owned brands	Distribution brands	Sub-total	First-tier brands	Second-tier brands	Sub-total	Total
Eastern China	1,791	263	2,054	707	183	890	2,944
Shandong and Henan	1,352	54	1,406	1,039	413	1,452	2,858
Southern China	1,837	121	1,958	660	148	808	2,766
Northern China	1,757	184	1,941	642	134	776	2,717
North-eastern China	1,050	83	1,133	529	70	599	1,732
North-western China	1,056	118	1,174	269	54	323	1,497
South-western China	883	77	960	310	9	319	1,279
Central China	760	76	836	298	44	342	1,178
Yunnan and Guizhou	616	25	641	199	76	275	916
Guangzhou	414	15	429	—	—	—	429
Total	11,516	1,016	12,532	4,653	1,131	5,784	18,316

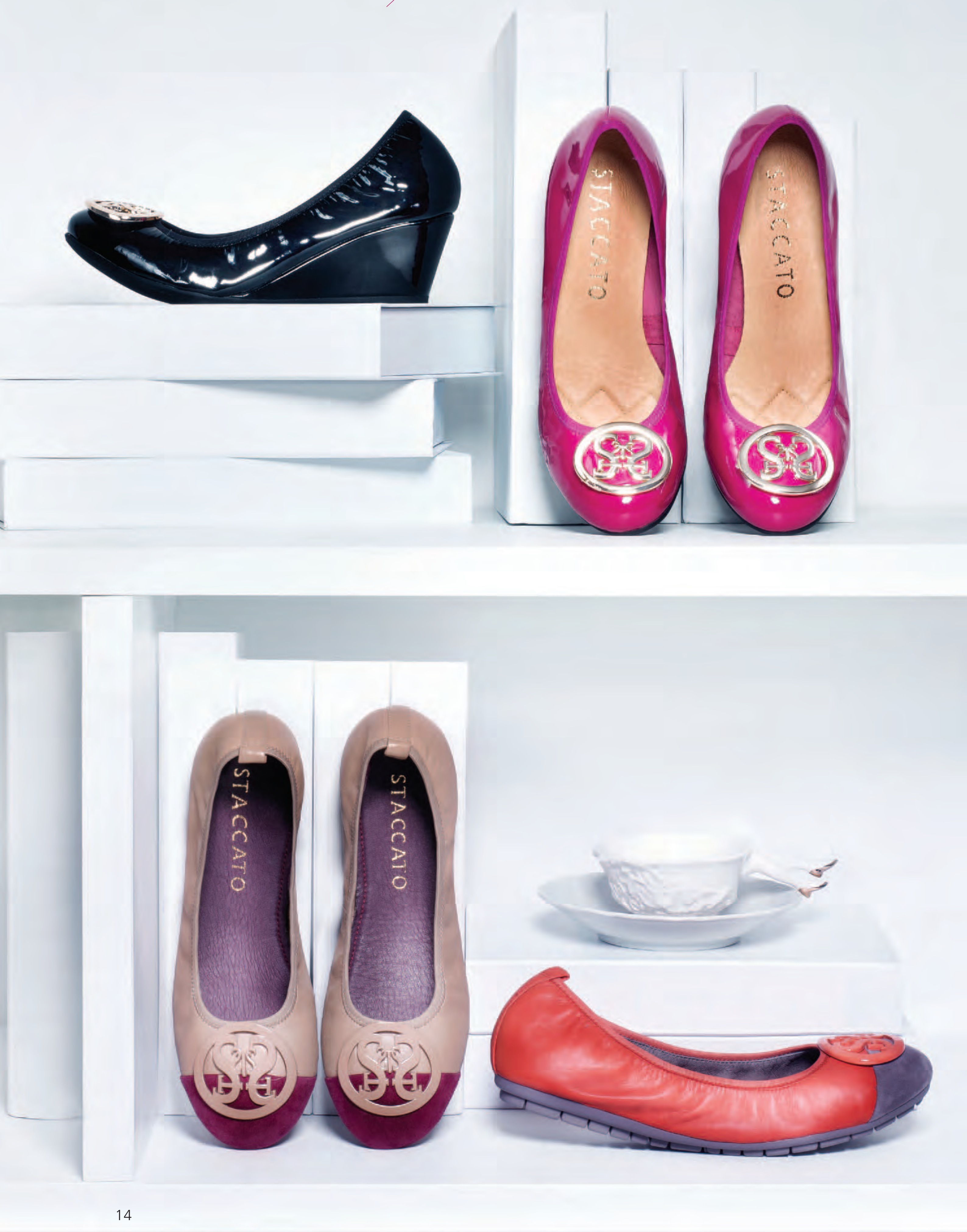
Note: In addition, the Group operates 155 company-managed retail outlets in Hong Kong and Macau.

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSION

Impact of the macroeconomic environment on the Group's business development

In the first half of 2013 the Chinese economy continued to experience the overall weakness carried forward from last year. GDP grew by 7.6% from the same period of last year. Consumer Price Index was up 2.4% from the same period of last year. And the aggregate retail value of social consumer goods increased by 12.7% from the same period of last year. These numbers might appear to be largely consistent with the prior year. However, the reality behind the numbers is gloomier. The consumer retail market continued to be sluggish. The business environment continued to deteriorate, creating enormous pressure on various industries including footwear, apparel and retail.

Consumer confidence continued to be weak and consumer sentiment was low despite the fact that real disposable income for the average resident was still growing at mid-to-high single digit. At the current stage, the Chinese economy is gradually transitioning from a high-growth era into a moderate-growth era. The transition and the slowdown will have an impact on consumer psychology. It will take time for consumers to get used to the new norm. Needless to say, there are uncertainties in future prospects as the economy is struggling with a difficult transition involving structural rebalancing and revamping the growth model. As a defensive reaction consumers are becoming more inclined to save and less willing to spend.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STATEMENT FROM CEO

Department stores, the main sales channel for quality fashion products, are generally under pressure. With the continued development of shopping malls and the fast growth of e-Commerce, foot traffic is diversifying away from the department stores, creating a drag on the performance of both the department stores and businesses operating concessionaire stores in the department store channel. The department store channel was also growing too fast in the past few years, diluting its existing customer base as well as its managerial resources. New department stores were generally underperforming and the ramp-up of store productivity is going to take time. The retail business of the Group, especially our footwear business, is conducted mainly through the department store channel. As a result, in the first half of this year, we continued to face pressure in our operations. Same store sales growth was sluggish. Productivity of new stores was low on a relative basis.

The structural rebalancing of the economy is well under way. Positive results from the transition will need more time to produce. However, the pains associated with the transition, especially during the starting phase of the transition, are widely felt. In manufacturing, there is a general shortage of labour and overall cost is going up. In retail, staff cost and staff related expenses such as social security and various public reserve funds also keep rising. Profitability of businesses continues to be squeezed.

Despite all the uncertainties and bearishness in the economic outlook and the business environment we still have conviction in the following trends. First, the continued development of the Chinese economy is certain. Second, the continued trend for consumers to see higher income and stronger purchase power is certain. Third, with continued wage increase for low income groups the expansion of the overall consumer base is certain. As such, for a consumer retail company like us it is most important to maintain our own competitiveness in the marketplace. With stronger goodwill of our brands, highly competitive products, and a more responsive and adaptive organization, we are still well positioned to take advantage of potential opportunities to continue to grow, even in a very challenging environment.

Review of the footwear business

In the first half of 2013 the footwear business of the Group recorded a moderate growth of 6.8% compared with the same period of last year. This level of sales growth was significantly lower than prior years' levels, mainly because of the following reasons. First, same store sales growth was low. Second, there was a slowdown in new store expansion. Third, lost revenues from the discontinuation of certain brands could not be fully offset by new distribution brands.

In our view the sales growth trajectory of a retail company should always be judged in the context of the overall market conditions and not simply against its own past history. The ability to penetrate new market space during a period of overall high growth of the market and the ability to consolidate market share with resilience during overall market slump are both good examples of a healthy business full of vigor and competitiveness.

In the first half of 2013 the footwear business recorded a low single-digit same store sales growth. This was mainly due to overall weakness of the market, rather than deteriorated competitiveness of the Group. Average selling price was up slightly, reflecting moderately higher manufacturing cost. Volume increase was very low single-digit, below our prior expectation at the beginning of the year. However, given the general weakness of the overall market these results were already hard-won achievements.

STATEMENT FROM CEO

The store network expansion in the first half of 2013 was also significantly slower than the prior two to three years. In the first half of this year we added 442 footwear stores on a net basis, representing 3.7% of the store count as at the end of the prior year. By comparison, from year 2010 to 2012, the net addition to footwear stores was between 1,500 and 2,000 on an annual basis. As a retailer we always prefer a reasonable and steady pace of store network expansion. When too many new stores are opened too fast, they are not going to be properly supported by existing human resources and managerial resources, resulting in low-quality new stores as well as diluted performance within the existing stores. In the past two to three years new store opening in the footwear business was higher than the desirable levels. This was mainly due to a faster-than-usual growth of the channels. From a competitive point of view we chose to utilize a "follow strategy", which resulted in faster store expansion. Many new department stores were located in new trade zones, which needed a longer time horizon to develop. Constrained by low foot traffic, many of our new footwear stores were less productive than expected in terms of sales per store. From last year both channel operators and retailers were starting to get more aligned in terms of rationalizing the pace of growth. Since the beginning of this year we have observed a significant slowdown in terms of new store opening, indicating a normalization process which is both expected and also welcome.

Currently the Group operates company-managed footwear stores in about 360 cities across China, covering about 2,100 department stores. This level of geographic coverage and market penetration, in a vast country and a developing China market, is still far from saturation, both on an "as is" basis and also from a developmental point of view. A large number of small and medium sized cities, as well as emerging neighborhoods, are still not effectively covered and served by modern retail facilities. There is a long term demand for department stores and shopping malls, providing enough space for the Group to grow its footwear point of sales.

The gross profit margin of the footwear business was slightly higher than the same period of last year. First, the promotional environment was largely stable. Generally speaking, in an environment of weak consumer sentiment and slow traffic, excessive promotions sacrificing gross profit margins usually cannot bring in enough sales increase as expected. Overall expectations for this year from market participants as a whole were not too high. As a result there was no excessive optimism in the process of merchandising. With a lack of excessive inventories there was also little pressure to do more promotions than necessary. On the other hand, the Group continued to improve on the business processes as well as organizational structure. As a result we were able to respond faster to market conditions with a more dynamic set of tools including merchandising, pricing, and marketing. We were able to replenish fast-moving products and clear out slow-moving products on a more timely basis, which ensured a health gross profit margin.

Selling and distribution expenses of the footwear business, as a percentage of sales, were significantly higher than the same period of last year and closer to the levels in the second half of 2012, due to two main reasons. On the one hand, weak same store sales growth and low productivity of new stores resulted in a small decline in average per-store sales productivity in the footwear business. Second, retail staff expenses, including wages and social security expenses, continued to rise.

General and administrative expenses, as a percentage of sales, were slightly higher than the same period of last year. This was mainly due to relatively slow sales growth in the first half of this year, which was not enough to effectively offset the increase of various administrative expenses, especially wage expenses.

STATEMENT FROM CEO

The profit margin of segment results for the footwear business was 22.5%, significantly lower than the same period of last year but largely consistent with the second half of 2012. From a historical point of view the profit margin of segment results for the footwear business of the Group was mostly ranging between 22% and 24%, except for a few outlier years. This level of profitability is well above industry average, mainly for the following reasons. First, a flexible supply chain model ensures above-average gross profit margins. Second, the economy of scale derived from a national retail platform as well as leading retail capabilities built upon attention to details help the Group control expenses at a level below industry average. We are confident that, without material changes in the industry landscape or cost structure, the Group will be in a position to maintain a relatively steady profit margin in the near term. Longer term, with continued rising costs and expenses in the overall business environment, the profitability of the footwear business of the Group is going to be under pressure. In the meantime, the Group will continue to penetrate new market space, increase market coverage, explore new business initiatives, develop new market segments and cultivate new channels. All these efforts run the risk of lowering marginal profitability of the footwear business. From a long term strategic point of view we believe that an active growth strategy is not only essential for us to maintain competitiveness in the marketplace, but also a key means to continue to create business value and shareholder value.

Review of the sportswear business

In the first half of 2013 the sportswear business recorded a revenue growth of 18.7%, mostly driven by the following two factors. First, same store sales growth was relatively healthy, approaching 7%. Second, an acquisition announced last year was completed in the first half of this year and its financials were consolidated since the second quarter of this year.

In the sportswear business, a fairly high level of same store sales growth in the first quarter of this year at over 10% was mainly driven by large scale promotions and discounting sponsored by the brand companies. As such it was not a result of a turnaround of the sportswear market. Since the second quarter of this year the promotional environment started to normalize and same store sales growth was back to normal levels. In the sportswear business same store sales growth was mostly driven by volume growth, with prices slightly up. Both athletic apparel and athletic footwear categories were performing at similar levels.

In the first half of 2013 we added 310 sportswear stores on a net basis. First, because of the consolidation of Big Step, a newly acquired business, there was a related addition of more than 500 stores. Second, because of the discontinuation of a certain brand, we closed most of the stores under the said brand in the first half of this year, amounting to close to 200 stores. Third, because of the integration of the acquired business the Group underwent an optimization of its existing sportswear store network resulting in the closure of a limited number of stores. The said optimization process will continue into the third quarter of this year. As such we do not expect many new store additions in sportswear in the second half of this year.

The gross profit margin of the sportswear business was significantly higher than the same period of prior year. This was not because of improvement in retail discount. On the contrary, there were more promotions coordinated by brand companies, who subsequently provided more subsidies and support to distributors to help them reduce purchase cost.

STATEMENT FROM CEO

Selling and distribution expenses of the sportswear business, as a percentage of sales, were higher than the same period of last year by a significant margin. On the one hand, staff expenses, including wages and social security expenses, continued to rise. On the other hand, large scale promotions in the first quarter of this year contributed to higher promotional expenses. General and administrative expenses, as a percentage of sales, were consistent with the same period of last year.

The profit margin of segment results for the sportswear business was 5.5%, slightly better than the same period of last year. The improvement in profitability, as discussed before, was mainly attributed to more support from brand companies. The timing and strength of such support can vary from time to time. From the perspective of a retailer, taking into account the required investment in inventories and stores, as well as the inherent inventory risk associated with the futures order model, current level of before-tax profit margin is likely a minimum required level for a reasonable return on investment.

From the distributors' perspective, during the first ten-plus years of international sportswear brands in developing the China market, there were plenty of opportunities arising from fast growth of the market and rapid expansion of their respective business scale. At the same time, retail discount was favorable resulting in high gross profit margins. Rent, staff expenses and other operating expenses were also low. As a result profitability and return on investment were both adequate. In the recent few years, however, opportunities from rapid growth are mostly gone. Gross profit margin is lower due to heightened competition in a maturing market. Moreover, various expenses including rent and staff continue to rise, further squeezing profitability from distributors. The lack of flexibility built into the futures order system also makes it difficult to adjust to changing market conditions, which further increased inventory risk during a weak environment.

The current weakness in the China sportswear market on the one hand reflects the generally weak sentiment in the consumer retail market, and on the other hand is a result of structural problems in the prevailing business model. With most distributors deprived of adequate profitability and some distributors struggling with cash conversion, it is very hard to continue to invest in their businesses with enough confidence and resources. Sustainable investment is essential in the continued improvement of merchandising, training and store operations, which working together drive better store productivity. Without adequate investment in the business store productivity is guaranteed to slide, which makes it even harder to digest inventories and further depresses margins. Thus a vicious circle is created.

There has been much consensus building among brand companies and distributors and all agree that in order to restore the health of the sportswear market we need to make the following changes. First, from a long term perspective the brands need to give up some short term interests to help distributors regain a reasonable profit margin by lowering merchandise cost. Stronger profitability will enable distributors to continue to invest in the business on a going concern basis. Second, performance evaluation should be more focused on brand building. A distributor's performance should be judged on a variety of brand-centric indicators including retail sell-through, markdown and gross profit margin, inventory health, maintenance of store image, etc. rather than a simple requirement of year-on-year growth of futures orders. The cyclical inventory problem arising from over-ordering can only be resolved when we attack the source of the problem. Third, careful planning and market-wide coordination is needed to promote long term value of the brand. Brand companies should support distributors in their effort to plan store clustering within individual regional markets, and restrain from competing with distributors. Distributorship and resources should be more tilted toward outperformers. A healthy, coordinated, and competitive ecosystem will be instrumental in the long term growth of the brands.

STATEMENT FROM CEO

Although these changes may take a long period of time to take place, the Group is optimistic toward the direction and prospect of change. At the same time, we also believe that strong international sportswear brands such as Nike and Adidas are well positioned to strengthen their competitive advantage and capture the sustainable growth in the under-penetrated China market, on the back of strong brand equity, industry-leading R&D, broad product line and superior supply chain. As a major distributor for such brands we also confident enough to continue to ramp up investment and improve quality of operations, in an effort to develop the China market together with the brands.

Changes in the Group's business mix

Because of 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 usually drive changes in the blended financial metrics and operational metrics of the Group. In the first half of 2013, the sportswear segment increased its revenue contribution to 38.5% from 36.0% in the same period of last year. The change was mostly driven by the consolidation of Big Step in the first half of this year, which stepped up the business scale of the sportswear business.

In the 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 and location 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 turnover on a per store basis. As a result the concessionaire rate is usually lower for sportswear stores and expenses such as staff expenses are also lower as a percentage of sales. In the first half of 2013, the increase in representation of the sportswear business had a negative impact on blended profitability metrics of the Group such as gross profit margin and operating profit margin, and a positive impact on other metrics of the Group such as selling and distribution expenses as a percentage of sales and average inventory turnover days.

In the long term, we expect the footwear business and the sportswear business to maintain relatively balanced growth, due to shared characteristics in sales channels, market penetration, and customer base.

Changes in income tax rate

The effective income tax rate was 26.7% in the first half of 2013, higher from the same period of last year by 2.9 percentage points. The main reason is because He Zhong Apparel (Shenzhen) Limited ("He Zhong"), an important subsidiary of the Company in the footwear business, was subject to 50% reduction in the prevailing tax rate in the region in 2012. The preferential tax treatment which gave He Zhong an effective tax rate of 12.5% in 2012 expired at the end of 2012. From 2013 onward, He Zhong is subject to the full income tax rate of 25%.

From 2013 onward, in Mainland China, the income tax rate for the footwear business as well as the sportswear business of the Group 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%.

STATEMENT FROM CEO

While actively growing our business and creating shareholder value, the Group is also making a positive contribution to the society in promoting employment and developing local economies, which received warm welcome and recognition from various local governments. As a result we expect to receive a certain amount of government subsidies over the next 3 to 5 years. Government subsidies are usually recorded as other income, and will not directly offset income tax expense.

Inventory turnover

The average inventory turnover days of the Group were 167.5 days in the first half of 2013, slightly lower than the 173.9 days in 2012. The average inventory turnover days for the footwear business were lower, from 204.0 days for 2012 to 193.0 days in the first half of 2013. For the sportswear business average inventory turnover days were 145.7 days in the first half of 2013, little changed from 146.2 days for 2012.

The inventory balance as at 30 June 2013 was RMB7,157.0 million, a small increase of 1.8% from the balance of RMB7,032.7 million as at 31 December 2012. The increase in inventory balance was much lower than the Group's revenue growth of 11.1% in the first half of 2013. As at 30 June 2013 both the absolute quantity of inventories and product mix were relatively healthy for both footwear and sportswear businesses.

In the past two years the average inventory turnover days for our footwear business have been ranging between 180 and 200 days, slightly higher than the range of 160 to 180 days we used to have three to four years ago. This change does not mean that the operational efficiencies have deteriorated for the footwear business of the Group. Rather, it is mainly due to the gradual changes in our business mix. On the one hand, men's footwear, mid-to-high-end women's footwear and casual footwear have been growing faster on a relative basis. These categories have very different operational requirements from the core middle-end fashion footwear brands, usually with slower inventory turnover. On the other hand, the footwear business of the Group has been penetrating into lower tier markets at a relatively fast pace, with a fair percentage of new stores in our portfolio. New stores in third-tier cities typically have lower sales productivity on a per store basis. However for these stores we still need a certain level of inventory to ensure completeness of the necessary SKUs as well as sizes. As a result average inventory turnover period is longer for these stores. These changes in business mix are in line with our strategy to actively add category coverage and increase market penetration. As such a slightly longer average inventory turnover period is within our expectations and also an acceptable cost.

Labor cost and staff expenses

In the 5 years since the new labour law was enacted in 2008, staff related costs and expenses of the Group has been rising at a significant pace. First, with various local governments continuously raising the minimum wage thresholds, not only general wages went up but also the expectation of workers for continued wage increases were raised even higher. Second, the standards and requirements for social security expenditure kept moving up. Third, there has been a structural imbalance between supply and demand in the labour market. On the one hand, college graduates with higher education are finding it more difficult to get employment due to a mismatch of skills. On the other hand, traditional migrant workers are less inclined to work away from home, preferring jobs in the inland areas closer to home. In the coastal areas traditionally strong in manufacturing it is increasingly more difficult to recruit and wage inflation continues.

STATEMENT FROM CEO

This year after the Chinese New Year, the production bases of the Group in South China also experienced temporary difficulties when more workers than usual failed to return to work. In February and March in some of our factory units there were issues of under-utilization. For some brands because of production was falling behind the retail business was negatively affected with a shortage of in-season products. In the meantime, capacity utilization and profitability of our factories were temporarily under pressure due to lower-than-usual production and delivering fewer-than-expected finished goods.

To alleviate the pressure of labour shortage and wage inflation in manufacturing, the Group will continue to follow the strategy of moving production to the inland areas. We will take measures to gradually ramp up capacity in new production bases in the inland areas and continue to find new locations in labour-rich provinces and regions for new factories. In the next 2 to 3 years we will gradually ramp up the Anhui facility and continue to improve the skills of its employees. At a new factory site in Tongren, Guizhou Province, we are also going to gradually invest and allocate manufacturing capacity accordingly, in an effort to relieve overall labour pressure on the Group. Longer term, the production bases of the Group in the Pearl River Delta are going to be repositioned as research and development centers with more and more production relocated to the inland areas. However, this is likely a long term process, which cannot be rushed when we take into account the effective accumulation and transfer of technical know-how and craftsmanship.

We observed a trend of moving production overseas but determined it was not a key direction for the Group at the current stage. Although the current wages are lower in Southeast Asia, many of these countries are likely to move into a fast track of wage inflation in the near future. Efficiencies are unlikely to reach that of Mainland China due to cultural differences and a lack of effective support from the supply chain and infrastructure. More important is that at the very core of the Group's footwear operations is the replenishment system and a fast-responding supply chain, which is unlikely to be effectively supported by overseas production for the time being.

Retail staff expenses in both the footwear business and the sportswear business of the Group kept inching up over the past few years, from a level of about 5% of sales 5 years ago to the current level of 8% to 9%. Such an expense ratio is still lower than the 10% to 12% levels for comparable retail businesses in developed markets, but the gap is no longer significant. The wage inflation is likely to continue for a few years going forward but in our view it is likely a phenomenon associated with a specific stage of development. With a higher base the pace of wage increase is likely to gradually normalize. The group that benefited most from recent years' high wage inflation was mostly low income workers. Department stores, shopping malls, as well as brands operating in these channels are mostly positioned in the middle end or mid-to-high end, yet unable to capitalize on the incremental spending power. With continued strengthening of overall spending power and expansion of the overall consumer base, eventually middle end brands and mid-to-high end brands will be in a position to increase sales productivity on a per store and per person basis, which will be instrumental in capping staff expenses as a percentage of sales.

STATEMENT FROM CEO

The development of new businesses

The Group is always active in the development of new businesses. This is not a generic diversification strategy, blindly moving into unrelated businesses. What we are looking at, is to leverage the core business and core capabilities of the Group into closely related markets, to develop new brands, new price points, new channels, new store formats, as well as related categories. The development of new businesses, to a certain extent, is crucial from a defensive point of view, when we consider the potential risk of future evolvement of channels and consumer behavior. A more important aspect of the new initiatives, however, is the offensive implications. The Group sees great opportunities in these new areas of business, which are well supported by the specific skill sets and resources of the Group and poised to create long term value for the Group.

- *New brands*

  In our core footwear business the Group always has a multiple brand strategy, mainly because of the fact that the footwear market is traditionally very fragmented especially in the fashion and casual categories, where it is uncommon to see any one brand with a dominant market share. With continued sophistication of the consumer group there is going to be heightened demand for individualistic styles. As a result we need to have separate brands with unique styles to cater to each and every customer group.

  In order to carry a multiple brand footwear portfolio the Group also built a complete and solid platform including in-house research and development, in-house manufacturing, national channel development capabilities, a retail management platform scaled efficiently, and support from logistics and various back office functions. As such the Group is always open and active in developing new brands. For instance recently we started the distribution of Hush Puppies brand business in Mainland China. This is a well known brand with unique product styles. While utilizing its existing global product catalogue the Group also provides some localized designing and flexible supply chain support with in-house production. We expect the Hush Puppies brand to do well in the China market.

  The priority for the Group in considering a new brand is a well known fashion footwear brand or casual footwear brand that is positioned in the mid-to-high end with a moderate business scale in China, a brand with a solid background and legacy that can effectively utilize the retail platform of the Group to achieve fast market penetration.

- *New price points*

  The core footwear business of the Group, from a price point perspective, was mostly focused on the middle end and mid-to-high end. In 2012 we launched a women's footwear brand ":15MINS", a mass market brand positioned as fast fashion, with a price point at RMB200 to RMB300. The major business rationale for the Group to enter into the mass market segment is because the target customer group in this market segment is currently experiencing high income growth leading to higher spending power, which means enormous potential for demand growth. With a strong industry background and related resources in women's footwear the Group is well positioned to leverage existing R&D resources and retail platform to develop the mass market.

STATEMENT FROM CEO

Of course the mass market women's footwear segment is significantly different from the middle-end and mid-to-high end market segments in terms of channel choice and supply chain. Currently in the initial experimentation phase we are more focused on accumulating experience and skills rather than fast penetration. In the next 2 to 3 years we plan to gradually phase the new brand into various regions to build brand image and accumulate operational experience. When fully prepared in terms of team building, product development, brand marketing and supply chain management, we will then accelerate the store rollout of the new brand on a national level.

- *New channels*

As a brand company and a retailer the Group always keeps a keen eye on the long term evolvement of sales channels and the potential disruption it might cause. The rapid growth of e-Commerce and the trend of some consumers moving increasingly online have become facts rather than just speculation. The e-Commerce strategy deployed by the Group in 2011, aimed both defensively and offensively, has achieved solid results in the past two years.

On the defensive side, the e-Commerce unit of the Group has achieved the extension of our existing brand business to the online space. We currently operate flagship stores and specialty store on open platforms such as Tmall and JD. In the future we may also conduct online sales through brand portal websites when the market is ready. In the process we effectively control and regulate the online sales of company-owned brands, retaining and acquiring the online consumer groups for our respective brands. In the meantime, the e-Commerce team, using information technology as an enabler, has completed the development of industry-leading software for the e-Commerce platform, is currently developing a warehousing and logistics software system serving the whole Group, and plans to participate in the upgrade of a next-generation store POS information system. These undertakings will ensure the technical interconnectivity between the online business and the offline business, to facilitate potential integration of the online and offline businesses of the Group in the future. When the Group is equipped with online sales capabilities and achieves integration of the online/offline businesses, we will be more agile and flexible in pricing, merchandising and customizing services to accommodate potential changes in the channels as well as in consumer behavior.

From an offensive point of view, yougou.com, a vertical B2C platform specialized in quality fashion products, has the potential to become an online department store focused on fashion, carrying apparel, footwear, handbags, accessories, and other fashion products. The fashion category is very different from most open platforms that are designed for standardized products in terms of visual merchandising, product assortment, and customized marketing. The size of the market is enormous in this vertical category, implying significant opportunities. The key is clear positioning of the platform and product differentiation. With extended experience in operating fashion products, related technical know-how and supply chain resources, we believe we are well positioned to lead the experiment in developing this online format, and achieve a leading advantage.

STATEMENT FROM CEO

- *New store format*

  For the time being the Group sells predominantly through the department store channel, which usually requires a concessionaire model with small mono-brand stores in an open section. This format cannot be easily replicated into the shopping mall channel due to differences in traffic and consumer behavior. In the shopping malls the stores are relatively independent of each other, usually with a larger size and more choices of merchandise in order to attract traffic. And the space for store opening is limited. For a small footwear store it is very hard to obtain stand-alone store front and opening to the aisles to effectively establish a visual presence for the brand and feature products. As such the Group has been actively experimenting with the multi-brand format that is specifically designed for the shopping mall channel. The main objective is to provide an effective product assortment from a variety of brands and multiple categories customized for the target customer group of each specific shopping mall. With differentiated product offerings we aim to provide a one-stop footwear destination for consumers. In our view this format has the potential to be more efficient because rent is lower, on average, for a larger space and sales productivity is usually higher on a per person basis in a larger store.

  The development of the multi-brand format is a gradual process over the long term and not a speedy transition. The process is dependant on gradual changes of consumer behavior over the long term, as well the gradual improvement in the operational management of shopping malls. Generally speaking there were many shopping malls being constructed and completed in recent years, but not many were successful. Even the more successful shopping malls were attracting traffic more skewed to entertainment and dining. Traffic for shopping was relatively low and mostly steered toward luxury, high profile fast fashion and tier-one athletic brands, stores with a very high brand appeal. It may take a long time to develop the shopping traffic and consumer behavior in footwear products in the shopping mall channel. From our perspective, currently it is more about building the requisite skills on the inside, including the design of store image, schemes of brand assortment and product assortment, and operational management. We will work on formulating differentiated execution plans and selectively roll out multi-brand stores in shopping malls suitable for our brands.

- *New product category*

  As a retailer of fashion products the Group always closely monitors growth opportunities in related product categories. Recently the Group made a decision to invest in a fashion apparel company that is focused on the Asian market. The Group also undertakes to set up joint ventures with said company to develop the fashion apparel retail business in China.

  The purpose of the joint ventures is to pool complementary capabilities from both parties. The abovementioned fashion apparel company is strong in brand marketing, product design, and the apparel supply chain. We are familiar with the retail environment in China with strong channel development, retail management capabilities as well as back offices and logistics scaled to support nationwide retail. The partnership is well positioned to integrate respective resources and succeed in the China market.

  Apart from setting up joint ventures, the Group also decided to become a shareholder of the apparel company. The purpose is to be more engaged with the brand company and to improve the quality of the partnership. With more alignment in economic interests the partnership stands to be more stable over the long term.

STATEMENT FROM CEO

This cooperation project is a first step for the Group to get involved in the fashion apparel category. In the near term our priorities will be more on the side of skill acquisition, team building, and human resource allocation. The investment is relatively small in size. As such neither the target company which we invested in nor the China joint ventures will have a significant impact on the overall top-line or bottom-line of the Group.

PROSPECTS

Forecasting future changes in the economy and policy environment is never a core capability of the Group. It is not a basis for the Group to run our business, either. What we are good at, is to find out changes in market conditions and consumer preferences on a timely basis, and respond accordingly.

Needless to say in the near future there are still a lot of uncertainties in the economic environment and market conditions. While fully aware of the various potential challenges in our business, we still firmly believe that for the Group the priorities should be on internal team building, increasing our responsiveness, and strengthening market competitiveness. There are a few key areas we are focusing on for the time being. First, we are in the process of setting up brand-centered business units for middle end brands. The re-allocation of expertise and human resources, redefinition of roles and accountability, and reengineering of processes, will help highlight the respective brands, achieve consistency, and maintain brand legacy. More coordination among designing, manufacturing, brand marketing and retailing will help a brand maximize its business and long term value. Second, we are in the process of planning the upgrade to the next generation of retail store POS information system. The main objectives are improving customer services, providing more relevant data for decision support, and potentially enable the future integration of the online business and offline business. Third, we are currently planning a nation-wide logistic infrastructure. In key regions and key hubs we will build distribution centers with relatively large scale. At the same time we are in the process of developing an information system covering warehouse management, fulfillment and logistics, in an effort to support a high-efficiency retail business with modern logistics and advanced IT systems. Fourth, we will continue to fine-tune and improve the compensation scheme to ensure that not only our packages are competitive in the market but also the incentive and motivation is effective for front-line business development as well as key managerial roles. End of the day, it is always human resources that keep a business vibrant and energetic.

Apart from the undertakings discussed above that are aimed at the core business and corporate infrastructure, we are also committed to actively developing various new initiatives. As discussed at length in an earlier section, the way we look at these new initiatives, there is the defensive component that we accumulate experiences and build skills on a preemptive basis, to enable us to respond to changing environment and changing consumer behavior. In the meantime with a focus on the offensive aspects we will continue to invest in the new initiatives in an effort to actively discover and take advantage of emerging opportunities.

We believe that with our 120,000 colleagues working together to carry on the hardworking and learning Belle culture, the Group is well positioned to overcome short term difficulties, seize long term opportunities, and continue to strengthen our leadership in a highly competitive market.

Sheng Baijiao
CEO and Executive Director

23 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the six months ended 30 June 2013, the Group recorded revenue and operating profit of RMB17,799.7 million and RMB2,757.2 million respectively, which increased by 11.1% and slightly decreased by 1.9% respectively. The profit attributable to the Company's equity holders during the period under review amounted to RMB2,167.2 million, representing a decrease of 3.4% when compared with the same period of last year.

REVENUE

The Group's revenue increased by 11.1% to RMB17,799.7 million for the six months ended 30 June 2013 from RMB16,024.1 million for the six months ended 30 June 2012. 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 same period of last year. Sales from the footwear business and the sportswear business increased by RMB696.4 million and RMB1,079.2 million respectively, from RMB10,248.4 million and RMB5,775.7 million for the six months ended 30 June 2012 to RMB10,944.8 million and RMB6,854.9 million for the six months ended 30 June 2013.

	Six months ended 30 June				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**10,018.8**	**56.3%**	9,165.1	57.2%	9.3%
Distribution brands	**812.2**	**4.6%**	879.9	5.5%	(7.7%)
International trade	**113.8**	**0.6%**	203.4	1.3%	(44.1%)
Sub-total	**10,944.8**	**61.5%**	10,248.4	64.0%	6.8%
Sportswear					
First-tier sportswear brands*	**6,091.1**	**34.2%**	5,117.8	31.9%	19.0%
Second-tier sportswear brands*	**715.1**	**4.0%**	632.1	3.9%	13.1%
Other sportswear business	**48.7**	**0.3%**	25.8	0.2%	88.8%
Sub-total	**6,854.9**	**38.5%**	5,775.7	36.0%	18.7%
Total	**17,799.7**	**100.0%**	16,024.1	100.0%	11.1%

Unit: RMB million

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

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY

	Six months ended 30 June					
	2013		2012		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Revenue	**10,944.8**	**6,854.9**	10,248.4	5,775.7	6.8	18.7
Cost of sales	**(3,527.9)**	**(4,139.9)**	(3,320.5)	(3,634.5)	6.2	13.9
Gross profit	**7,416.9**	**2,715.0**	6,927.9	2,141.2	7.1	26.8
Gross profit margin (%)	**67.8**	**39.6**	67.6	37.1		

Cost of sales increased by 10.2% from RMB6,955.0 million for the six months ended 30 June 2012 to RMB7,667.8 million for the six months ended 30 June 2013. Gross profit in the Group's footwear segment increased by 7.1% to RMB7,416.9 million for the six months ended 30 June 2013 from RMB6,927.9 million for the six months ended 30 June 2012. Gross profit in the sportswear segment increased by 26.8% to RMB2,715.0 million for the six months ended 30 June 2013 from RMB2,141.2 million for the six months ended 30 June 2012.

Owing to differences in the respective business models, sportswear products generally have lower gross profit margin than footwear products. As a result of the increase in the gross profit margins of both the footwear business and the sportswear business, the Group's gross profit margin as a whole increased slightly to 56.9% for the six months ended 30 June 2013 from 56.6% for the six months ended 30 June 2012.

During the period under review, the gross profit margins of the footwear business and the sportswear business were 67.8% and 39.6% respectively. The gross profit margin of the footwear business was slightly higher than the same period of last year. First, the promotional environment was largely stable. Generally speaking, in an environment of weak consumer sentiment and slow traffic, excessive promotions sacrificing gross profit margins usually cannot bring in enough sales increase as expected. Overall expectations for this year from market participants as a whole were not too high. As a result there was no excessive optimism in the process of merchandising. With a lack of excessive inventories there was also little pressure to do more promotions than necessary. On the other hand, the Group continued to improve on the business processes as well as organizational structure. As a result we were able to respond faster to market conditions with a more dynamic set of tools including merchandising, pricing, and marketing. We were able to replenish fast-moving products and clear out slow-moving products on a more timely basis, which ensured a healthy gross profit margin. The gross profit margin of the sportswear business was higher than that of the same period of last year. This was not because of improvement in retail discount. On the contrary, there were more promotions coordinated by brand companies, who subsequently provided more subsidies and support to distributors to help them reduce purchase cost.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses for the six months ended 30 June 2013 amounted to RMB6,156.3 million (2012: RMB5,211.3 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 2013 amounted to RMB1,328.0 million (2012: RMB1,131.8 million), primarily consisting of management and administrative personnel salaries, depreciation charges on office premises and office equipments, and business surtaxes. In terms of percentage, the ratios of selling and distribution expenses, and general and administrative expenses to revenue were 34.6% (2012: 32.5%) and 7.5% (2012: 7.1%) respectively. Selling and distribution expenses as a percentage of sales, were higher than the same period of last year and closer to the levels in the second half of 2012. The main reasons are as follows. First, for both the footwear business and the sportswear business, retail staff expenses, including wages and social security expenses, continued to rise. Second, weak same store sales growth and low productivity of new stores resulted in a small decline in average per-store sales productivity in the footwear business. Third, large scale promotions in the first quarter contributed to higher promotional expenses in the sportswear business.

Interest income increased to RMB172.1 million for the current period from RMB129.8 million in the same period of last year. It is mainly due to increase in the balances of structured bank deposit products and term deposit with initial terms of over three months for the six months ended 30 June 2013.

Interest expense increased to RMB20.5 million for the current period from RMB18.1 million in the same period of last year. Despite the lower average bank borrowing interest rates for the current period, the average balance of bank borrowings during the six months period ended 30 June 2013 was higher than that of the same period of last year, which resulted in a slight increase in interest expense in the current period.

During the six months ended 30 June 2013, Renminbi appreciated against Hong Kong dollars, together with the fact that the Group's bank borrowings are denominated in Hong Kong dollar, the Group recorded net foreign exchange gains of RMB15.3 million (2012: net foreign exchange losses of RMB5.8 million) as a result.

Income tax expense for the six months ended 30 June 2013 amounted to RMB782.5 million (2012: RMB694.1 million). The effective income tax rate increased by 2.9 percentage points to 26.7% in the first half of 2013 from 23.8% in the same period of last year. The main reason is because He Zhong Apparel (Shenzhen) Limited ("He Zhong"), an important subsidiary of the Company in the footwear business, was subject to 50% reduction in the prevailing tax rate in the region in 2012. The preferential tax treatment which gave He Zhong an effective tax rate of 12.5% in 2012 expired at the end of 2012. From 2013 onward, He Zhong is subject to the full income tax rate of 25%. On the other hand, the corporate income tax rate for the other operating units of the footwear business and the sportswear business is approximately 25%.

Operating profit slightly decreased by 1.9% to RMB2,757.2 million. The profit attributable to the Company's equity holders decreased by 3.4% to RMB2,167.2 million in the first half of 2013.

OTHER INCOME

Other income consists mainly of government incentives and rental income amounted to RMB109.6 million for the six months ended 30 June 2013 (2012: RMB83.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets. During the six months ended 30 June 2013, the total capital expenditure was RMB882.3 million (2012: RMB579.8 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 30 June 2013, the net working capital of the Group was RMB14,594.1 million, representing an increase of 6.1% or RMB837.2 million as compared with 31 December 2012. As at 30 June 2013, the Group's gearing ratio was 6.9% (31 December 2012: 7.6%) (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets). As at 30 June 2013, the Group's current ratio was 3.3 times (31 December 2012: 3.3 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 RMB207.4 million to RMB3,326.7 million from RMB3,119.3 million of the same period of last year.

Net cash used in investing activities for the six months ended 30 June 2013 was RMB2,090.7 million (2012: RMB2,451.2 million). During the period under review, the Group invested RMB865.0 million, RMB882.3 million, RMB272.5 million and RMB61.9 million on net deposit in structured bank deposit products, payments and deposits for purchases of property, plant and equipment (including retail outlets' decorations), land use rights, investment properties and intangible assets, net increase in term deposit with initial terms of over three months and acquisition of subsidiaries (net of cash acquired) respectively.

During the period under review, net cash used in financing activities was RMB541.6 million (2012: RMB20.1 million), mainly attributable to the 2012 final dividend payment of RMB674.7 million, net repayments of borrowings of RMB24.3 million, and partly offset by interest received of RMB177.9 million.

As at 30 June 2013, the Group held cash and cash equivalents, structured bank deposit products and term deposits with initial terms of over three months totaling RMB9,540.6 million (31 December 2012: RMB8,525.4 million), and was in a net cash position of RMB7,413.9 million (31 December 2012: RMB6,349.1 million) after netting off the short-term borrowings of RMB2,126.7 million (31 December 2012: RMB2,176.3 million).

PLEDGE OF ASSETS

As at 30 June 2013, no property, plant and equipment, land use rights and investment properties were pledged as security for banking facilities available to the Group (31 December 2012: nil).

CONTINGENT LIABILITIES

As at 30 June 2013, the Group had no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 30 June 2013, the Group had a total of 124,047 employees (31 December 2012: 116,263 employees). During the six months ended 30 June 2013, total staff cost was RMB2,663.6 million (2012: RMB2,257.5 million), accounting for 15.0% (2012: 14.1%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of RMB8.0 cents (2012 interim dividend: RMB8.0 cents) per ordinary share, totaling RMB674.7 million (2012 interim dividend: RMB674.7 million), for the year ending 31 December 2013. The interim dividend will be paid on or about 18 October 2013 to members whose names appear on the register of members of the Company on 30 September 2013.

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 = RMB0.79569) as quoted by the People's Bank of China on 23 August 2013, being the date on which the interim dividend is declared by the Board. Accordingly, the amount of the interim dividend is HK10.05 cents per ordinary share.

CLOSURE OF REGISTER OF MEMBERS

The interim dividend will be paid on or about Friday, 18 October 2013 to the shareholders whose names appear on the register of members of the Company on Monday, 30 September 2013. The register of members of the Company will be closed from Thursday, 26 September 2013, to Monday, 30 September 2013, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 25 September 2013.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

羅兵咸永道

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 32 to 56, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 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 there of 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, 23 August 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Unaudited Six months ended 30 June 2013 RMB million	2012 RMB million
Revenue	4	**17,799.7**	16,024.1
Costs of sales		**(7,667.8)**	(6,955.0)
Gross profit		**10,131.9**	9,069.1
Selling and distribution expenses		**(6,156.3)**	(5,211.3)
General and administrative expenses		**(1,328.0)**	(1,131.8)
Other income		**109.6**	83.5
Operating profit	5	**2,757.2**	2,809.5
Finance income		**187.4**	129.8
Finance costs		**(20.5)**	(23.9)
Finance income, net	6	**166.9**	105.9
Share of profit of an associate		**2.2**	2.6
		169.1	108.5
Profit before income tax		**2,926.3**	2,918.0
Income tax expense	7	**(782.5)**	(694.1)
Profit for the period		**2,143.8**	2,223.9
Attributable to:			
Equity holders of the Company		**2,167.2**	2,242.4
Non-controlling interests		**(23.4)**	(18.5)
		2,143.8	2,223.9
Earnings per share attributable to equity holders of the Company during the period	8		
– basic		**RMB25.70 cents**	RMB26.59 cents
– diluted		**RMB25.70 cents**	RMB26.59 cents

The notes on pages 38 to 56 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 2013

	Unaudited Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Profit for the period	**2,143.8**	2,223.9
Other comprehensive loss		
Items that may be subsequently reclassified to income statement:		
Exchange differences	**(4.5)**	(2.0)
Other comprehensive loss for the period	**(4.5)**	(2.0)
Total comprehensive income for the period	**2,139.3**	2,221.9
Attributable to:		
Equity holders of the Company	**2,162.7**	2,240.4
Non-controlling interests	**(23.4)**	(18.5)
	2,139.3	2,221.9

The notes on pages 38 to 56 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

	Note	**Unaudited 30 June 2013 RMB million**	Audited 31 December 2012 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	10	**3,611.8**	3,347.2
Land use rights	10	**1,453.7**	1,290.5
Investment properties	10	**330.7**	335.4
Intangible assets	10	**3,428.5**	2,731.6
Interests in an associate and a joint venture		**124.5**	109.3
Long-term deposits and prepayments		**325.8**	603.5
Deferred income tax assets		**381.4**	465.6
Structured bank deposit products	12	**—**	103.5
		9,656.4	8,986.6
Current assets			
Inventories		**7,157.0**	7,032.7
Trade receivables	11	**3,185.3**	3,134.3
Deposits, prepayment and other receivables		**1,179.0**	1,027.3
Structured bank deposit products	12	**6,599.5**	5,642.5
Term deposits with initial terms of over three months	12	**911.7**	492.5
Cash and cash equivalents	13	**2,029.4**	2,286.9
		21,061.9	19,616.2
Total assets		**30,718.3**	28,602.8

The notes on pages 38 to 56 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

	Note	Unaudited 30 June 2013 RMB million	Audited 31 December 2012 RMB million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	14	**83.1**	83.1
Share premium	14	**9,214.1**	9,214.1
Reserves		**14,611.3**	13,123.3
		23,908.5	22,420.5
Non-controlling interests		**119.5**	142.9
Total equity		**24,028.0**	22,563.4
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**156.2**	110.9
Deferred income		**66.3**	69.2
		222.5	180.1
Current liabilities			
Trade payables	15	**1,493.4**	1,153.3
Other payables, accruals and other current liabilities		**1,996.6**	1,457.6
Short-term borrowings	16	**2,126.7**	2,176.3
Current income tax liabilities		**851.1**	1,072.1
		6,467.8	5,859.3
Total liabilities		**6,690.3**	6,039.4
Total equity and liabilities		**30,718.3**	28,602.8
Net current assets		**14,594.1**	13,756.9
Total assets less current liabilities		**24,250.5**	22,743.5

The notes on pages 38 to 56 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 2013

	Unaudited									
	Capital and reserves attributable to equity holders of the Company									
	Share capital RMB million (Note 14)	Share premium RMB million (Note 14)	Merger reserve RMB million	Statutory reserves RMB million	Capital redemption reserve RMB million	Exchange reserve RMB million	Retained earnings RMB million	Subtotal RMB million	Non-controlling interests RMB million	Total RMB million
For the six months ended 30 June 2013										
As at 1 January 2013	**83.1**	**9,214.1**	**3.5**	**915.8**	**0.1**	**(67.2)**	**12,271.1**	**22,420.5**	**142.9**	**22,563.4**
Comprehensive income:										
Profit for the period	**—**	**—**	**—**	**—**	**—**	**—**	**2,167.2**	**2,167.2**	**(23.4)**	**2,143.8**
Other comprehensive loss:										
Exchange differences	**—**	**—**	**—**	**—**	**—**	**(4.5)**	**—**	**(4.5)**	**—**	**(4.5)**
Total comprehensive (loss)/ income for the period	**—**	**—**	**—**	**—**	**—**	**(4.5)**	**2,167.2**	**2,162.7**	**(23.4)**	**2,139.3**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**(674.7)**	**(674.7)**	**—**	**(674.7)**
As at 30 June 2013	**83.1**	**9,214.1**	**3.5**	**915.8**	**0.1**	**(71.7)**	**13,763.6**	**23,908.5**	**119.5**	**24,028.0**
For the six months ended 30 June 2012										
As at 1 January 2012	83.1	9,214.1	3.5	565.6	0.1	(61.1)	9,618.4	19,423.7	170.1	19,593.8
Comprehensive income:										
Profit for the period	—	—	—	—	—	—	2,242.4	2,242.4	(18.5)	2,223.9
Other comprehensive loss:										
Exchange differences	—	—	—	—	—	(2.0)	—	(2.0)	—	(2.0)
Total comprehensive (loss)/ income for the period	—	—	—	—	—	(2.0)	2,242.4	2,240.4	(18.5)	2,221.9
Dividends	—	—	—	—	—	—	(674.7)	(674.7)	—	(674.7)
As at 30 June 2012	83.1	9,214.1	3.5	565.6	0.1	(63.1)	11,186.1	20,989.4	151.6	21,141.0

The notes on pages 38 to 56 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Unaudited Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Cash flows from operating activities		
Net cash generated from operations	**3,326.7**	3,119.3
Income tax paid	**(949.3)**	(966.6)
Net cash generated from operating activities	**2,377.4**	2,152.7
Cash flows from investing activities		
Capital contribution to a joint venture	**(13.0)**	(26.5)
Acquisition of subsidiaries, net of cash acquired	**(61.9)**	—
Payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets	**(882.3)**	(579.8)
Proceeds from sale of property, plant and equipment	**4.0**	6.2
Placement of structured bank deposit products	**(5,954.0)**	(4,581.0)
Proceeds from maturity of structured bank deposit products	**5,089.0**	2,875.0
Increase in term deposits with initial terms of over three months	**(272.5)**	(145.1)
Net cash used in investing activities	**(2,090.7)**	(2,451.2)
Cash flows from financing activities		
Dividends paid	**(674.7)**	(674.7)
Interest received	**177.9**	141.9
Interest paid	**(20.5)**	(18.1)
Proceeds from borrowings	**1,544.1**	1,509.3
Repayments of borrowings	**(1,568.4)**	(978.5)
Net cash used in financing activities	**(541.6)**	(20.1)
Net decrease in cash and cash equivalents	**(254.9)**	(318.6)
Cash and cash equivalents at beginning of the period	**2,286.9**	2,886.8
Effect on foreign exchange	**(2.6)**	1.4
Cash and cash equivalents at end of the period	**2,029.4**	2,569.6

The notes on pages 38 to 56 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 retailing 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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, 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 2013 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 23 August 2013.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Company has a financial year end date of 31 December. This condensed consolidated interim financial information for the six months ended 30 June 2013 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 2012, which was 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 the 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 2012.

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 2012, except as mentioned below.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

The following new standards, amendments and interpretation to standards are mandatory for accounting periods beginning on or after 1 January 2013. The adoption of these new standards, amendments and interpretation to standards does not have any significant impact to the results and financial position of the Group.

IFRSs (amendment)	Improvements to IFRSs 2011
IFRS 1 (amendment)	Government loans
IFRS 7 (amendment)	Disclosures – offsetting financial assets and financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurements
IAS 1 (amendment)	Presentation of financial statements
IAS 19 (2011)	Employee benefits
IAS 27 (2011)	Separate financial statements
IAS 28 (2011)	Investments in associates and joint ventures
IFRIC Int 20	Stripping costs in the production phase of a surface mine

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

The following new standard, amendments and interpretation to standards have been issued but are not effective for 2013 and have not been early adopted by the Group:

IFRS 7 (amendment)	Mandatory effective date of IFRS 9 and transition disclosures (2)
IFRS 9	Financial instruments (2)
Additions to IFRS 9	Financial instruments – financial liabilities (2)
IFRS 10, IFRS 11 and IAS 27 (2011) (amendment)	Investment entities (1)
IAS 32 (amendment)	Financial instruments: presentation – offsetting financial assets and financial liabilities (1)
IAS 36 (amendment)	Recoverable amount disclosures for non-financial assets (1)
IAS 39 (amendment)	Novation of derivatives and continuation of hedge accounting (1)
IFRIC Int 21	Levies (1)

(1) Effective for the Group for annual period beginning on 1 January 2014.
(2) Effective for the Group for annual period beginning on 1 January 2015.

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

Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

There have been no changes in the risk management polices since 31 December 2012.

As at 30 June 2013 and 31 December 2012, the Group did not have any financial assets or financial liabilities in the balance sheet which is measured at fair value.

4 SEGMENT INFORMATION

The Group is principally engaged in the manufacturing, distribution and retailing 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 information.

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

Assets of reportable segments exclude deferred income tax assets, interests in an associate and a joint venture, investment properties and corporate assets (including certain corporate property, plant and equipment, cash and bank balances, term deposits and structured bank deposit products), 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (continued)

	Six months ended 30 June 2013				
	Shoes and footwear products *RMB million*	Sportswear products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	10,944.8	6,806.7	17,751.5	—	17,751.5
Commissions from concessionaire sales	—	48.2	48.2	—	48.2
	10,944.8	6,854.9	17,799.7	—	17,799.7
Results of reportable segments	2,462.4	373.6	2,836.0	—	2,836.0
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					2,836.0
Amortization of intangible assets					(72.3)
Unallocated income					15.3
Unallocated expenses					(21.8)
Operating profit					2,757.2
Finance income					187.4
Finance costs					(20.5)
Share of profit of an associate					2.2
Profit before income tax					2,926.3
Income tax expense					(782.5)
Profit for the period					2,143.8
Other segment information					
Depreciation on property, plant and equipment	280.1	177.1	457.2	16.0	473.2
Amortization of land use rights	3.8	2.8	6.6	7.6	14.2
Depreciation on investment properties	—	—	—	4.0	4.0
Amortization of intangible assets	63.3	9.0	72.3	—	72.3
Write-off of property, plant and equipment	7.1	12.6	19.7	—	19.7
Loss on disposal of property, plant and equipment	0.5	—	0.5	—	0.5
Additions to non-current assets	707.0	146.1	853.1	29.2	882.3

4 SEGMENT INFORMATION (continued)

	As at 30 June 2013				
	Shoes and footwear products RMB million	Sportswear products RMB million	Total reportable segments RMB million	Unallocated RMB million	Total RMB million
Segment assets	16,212.8	6,749.9	22,962.7	—	22,962.7
Goodwill	1,710.3	1,002.4	2,712.7	—	2,712.7
Other intangible assets	475.7	240.1	715.8	—	715.8
Inter-segment balances elimination	(5,684.7)	—	(5,684.7)	—	(5,684.7)
	12,714.1	7,992.4	20,706.5	—	20,706.5
Investment properties	—	—	—	330.7	330.7
Terms deposits with initial terms of over three months	—	—	—	911.7	911.7
Structured bank deposit products	—	—	—	6,599.5	6,599.5
Deferred income tax assets	—	—	—	381.4	381.4
Interests in an associate and a joint venture	—	—	—	124.5	124.5
Other corporate assets	—	—	—	1,664.0	1,664.0
Total assets per condensed consolidated balance sheet	**12,714.1**	**7,992.4**	**20,706.5**	**10,011.8**	**30,718.3**
Segment liabilities	1,990.9	7,244.8	9,235.7	—	9,235.7
Inter-segment balances elimination	—	(5,684.7)	(5,684.7)	—	(5,684.7)
	1,990.9	1,560.1	3,551.0	—	3,551.0
Short-term borrowings	—	—	—	2,126.7	2,126.7
Current income tax liabilities	—	—	—	851.1	851.1
Deferred income tax liabilities	—	—	—	156.2	156.2
Other corporate liabilities	—	—	—	5.3	5.3
Total liabilities per condensed consolidated balance sheet	**1,990.9**	**1,560.1**	**3,551.0**	**3,139.3**	**6,690.3**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (continued)

	Six months ended 30 June 2012				
	Shoes and footwear products *RMB million*	Sportswear products *RMB million*	Total reportable segments *RMB million*	Unallocated *RMB million*	Total *RMB million*
Revenue					
Sales of goods	10,248.4	5,753.0	16,001.4	—	16,001.4
Commissions from concessionaire sales	—	22.7	22.7	—	22.7
	10,248.4	5,775.7	16,024.1	—	16,024.1
Results of reportable segments	2,567.3	302.1	2,869.4	—	2,869.4
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					2,869.4
Amortization of intangible assets					(43.9)
Unallocated income					1.8
Unallocated expenses					(17.8)
Operating profit					2,809.5
Finance income					129.8
Finance costs					(23.9)
Share of profit of an associate					2.6
Profit before income tax					2,918.0
Income tax expense					(694.1)
Profit for the period					2,223.9
Other segment information					
Depreciation on property, plant and equipment	225.8	139.5	365.3	8.3	373.6
Amortization of land use rights	6.3	4.3	10.6	—	10.6
Depreciation on investment properties	—	—	—	0.4	0.4
Amortization of intangible assets	43.9	—	43.9	—	43.9
Write-off of property, plant and equipment	3.8	4.8	8.6	—	8.6
Loss on disposal of property, plant and equipment	3.7	0.2	3.9	—	3.9
Impairment of inventories	24.6	20.0	44.6	—	44.6
Additions to non-current assets	455.7	121.6	577.3	2.5	579.8

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (continued)

	As at 31 December 2012				
	Shoes and footwear products	Sportswear products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	14,157.0	6,496.2	20,653.2	—	20,653.2
Goodwill	1,710.3	485.3	2,195.6	—	2,195.6
Other intangible assets	536.0	—	536.0	—	536.0
Inter-segment balances elimination	(3,974.7)	—	(3,974.7)	—	(3,974.7)
	12,428.6	6,981.5	19,410.1	—	19,410.1
Investment properties	—	—	—	335.4	335.4
Terms deposits with initial terms of over three months	—	—	—	492.5	492.5
Structured bank deposit products	—	—	—	5,746.0	5,746.0
Deferred income tax assets	—	—	—	465.6	465.6
Interests in an associate and a joint venture	—	—	—	109.3	109.3
Other corporate assets	—	—	—	2,043.9	2,043.9
Total assets per condensed consolidated balance sheet	12,428.6	6,981.5	19,410.1	9,192.7	28,602.8
Segment liabilities	1,644.7	4,995.3	6,640.0	—	6,640.0
Inter-segment balances elimination	—	(3,974.7)	(3,974.7)	—	(3,974.7)
	1,644.7	1,020.6	2,665.3	—	2,665.3
Short-term borrowings	—	—	—	2,176.3	2,176.3
Current income tax liabilities	—	—	—	1,072.1	1,072.1
Deferred income tax liabilities	—	—	—	110.9	110.9
Other corporate liabilities	—	—	—	14.8	14.8
Total liabilities per condensed consolidated balance sheet	1,644.7	1,020.6	2,665.3	3,374.1	6,039.4

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (continued)

The Group's revenue is 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	
	2013	2012
	RMB million	*RMB million*
Revenue		
The PRC	**17,135.2**	15,211.5
Hong Kong and Macau	**550.7**	609.2
Other locations	**113.8**	203.4
	17,799.7	16,024.1

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

	As at 30 June 2013			As at 31 December 2012		
	The PRC	**Hong Kong and Macau**	**Total**	The PRC	Hong Kong and Macau	Total
	RMB million	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Non-current assets						
Property, plant and equipment	**3,278.5**	**333.3**	**3,611.8**	3,000.4	346.8	3,347.2
Land use rights	**1,453.7**	**—**	**1,453.7**	1,290.5	—	1,290.5
Investment properties	**282.7**	**48.0**	**330.7**	286.1	49.3	335.4
Intangible assets	**3,356.7**	**71.8**	**3,428.5**	2,659.8	71.8	2,731.6
Long-term deposits and prepayments	**286.2**	**39.6**	**325.8**	557.2	46.3	603.5
Interests in an associate and a joint venture	**124.5**	**—**	**124.5**	109.3	—	109.3

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Costs of inventories recognized as expenses included in costs of sales	**7,666.9**	6,953.4
Depreciation on property, plant and equipment	**473.2**	373.6
Depreciation on investment properties	**4.0**	0.4
Amortization of intangible assets	**72.3**	43.9
Amortization of land use rights	**14.2**	10.6
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**3,784.5**	3,203.6
Staff costs (including directors' emoluments)	**2,663.6**	2,257.5
Write-off of property, plant and equipment	**19.7**	8.6
Loss on disposal of property, plant and equipment	**0.5**	3.9
Impairment of inventories	**—**	44.6

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	
	2013	2012
	RMB million	*RMB million*
Interest income on bank deposits	**30.8**	27.3
Interest income from structured bank deposit products	**141.3**	102.5
Net foreign exchange gains	**15.3**	—
	187.4	129.8
Interest expense on short-term bank borrowings, wholly repayable within 5 years	**(20.5)**	(18.1)
Net foreign exchange losses	**—**	(5.8)
	(20.5)	(23.9)
Finance income, net	**166.9**	105.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Current income tax		
– PRC corporate income tax	**702.6**	712.8
– Hong Kong profits tax	**11.5**	11.3
– Macau income tax	**5.3**	5.5
(Over)/under-provision in prior years		
– PRC corporate income tax	**(4.4)**	(5.5)
– Hong Kong profits tax	**—**	0.8
Deferred income tax	**67.5**	(30.8)
	782.5	694.1

Pursuant to the relevant PRC corporate income tax rules and regulations, special income tax rates have been granted to certain subsidiaries of the Company, as being wholly foreign-owned enterprises in Shenzhen, the PRC. These subsidiaries are entitled to a two-year exemption for income taxes followed by 50% reduction in income taxes for the ensuing three years. All these tax concessions had been expired by the end of 2012 (2012: one of these subsidiaries was subject to a reduced tax rate of 12.5%). During the period, substantially all of the PRC incorporated subsidiaries of the Group are subject to the PRC corporate income tax rate of 25%. Hong Kong profits tax and Macau income tax have been provided for at the rate of 16.5% (2012: 16.5%) and at the tax rates prevailing in Macau respectively on the estimated assessable profit for the year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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	
	2013	2012
Profit for the period attributable to equity holders of the Company *(RMB million)*	**2,167.2**	2,242.4
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)*	**25.70**	26.59

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 23 August 2013, the directors declared an interim dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the year ending 31 December 2013. 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 2013.

(b) At a meeting held on 25 March 2013, the directors recommended a final dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the year ended 31 December 2012, which was paid during the period and has been reflected as an appropriation of retained earnings for the six months ended 30 June 2013.

(c) At a meeting held on 21 August 2012, the directors declared an interim dividend of RMB8.0 cents per ordinary share (totaling RMB674.7 million) for the year ended 31 December 2012, which was paid and has been reflected as an appropriation of retained earnings during the year ended 31 December 2012.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 PROPERTY, PLANT AND EQUIPMENT, LAND USE RIGHTS, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS

	Property, plant and equipment	Land use rights	Investment properties	Goodwill	Other intangible assets *(note)*	Total intangible assets	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Net book value as at 1 January 2013	**3,347.2**	**1,290.5**	**335.4**	**2,195.6**	**536.0**	**2,731.6**	**7,704.7**
Acquisition of subsidiaries *(Note 17)*	**65.5**	**—**	**—**	**517.1**	**249.0**	**766.1**	**831.6**
Additions	**700.7**	**177.4**	**—**	**—**	**3.1**	**3.1**	**881.2**
Depreciation/amortization	**(473.2)**	**(14.2)**	**(4.0)**	**—**	**(72.3)**	**(72.3)**	**(563.7)**
Disposals/written off	**(24.2)**	**—**	**—**	**—**	**—**	**—**	**(24.2)**
Exchange differences	**(4.2)**	**—**	**(0.7)**	**—**	**—**	**—**	**(4.9)**
Net book value as at 30 June 2013	**3,611.8**	**1,453.7**	**330.7**	**2,712.7**	**715.8**	**3,428.5**	**8,824.7**
Net book value as at 1 January 2012	2,851.6	817.7	11.0	2,195.6	594.7	2,790.3	6,470.6
Additions	544.3	11.8	—	—	5.8	5.8	561.9
Depreciation/amortization	(373.6)	(10.6)	(0.4)	—	(43.9)	(43.9)	(428.5)
Disposals/written off	(18.7)	—	—	—	—	—	(18.7)
Exchange differences	2.0	—	—	—	—	—	2.0
Net book value as at 30 June 2012	3,005.6	818.9	10.6	2,195.6	556.6	2,752.2	6,587.3

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2013, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB million	*RMB million*
0 to 30 days	**3,044.7**	3,067.7
31 to 60 days	**80.7**	30.3
61 to 90 days	**25.0**	26.5
Over 90 days	**34.9**	9.8
	3,185.3	3,134.3

The carrying amounts of trade receivables approximate their fair values.

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

All of the Group's structured bank deposit products were placed with major state-owned banks in the PRC with fixed maturities and fixed interest rates or fixed plus floating interest rates. Structured bank deposit products 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 deposit products as at 30 June 2013 was 5.17% (as at 31 December 2012: 5.59%) per annum. The weighted average effective interest rate of the Group's term deposits with initial terms of over three months as at 30 June 2013 was 3.59% (as at 31 December 2012: 3.95%) per annum.

13 CASH AND CASH EQUIVALENTS

	As at	
	30 June 2013	31 December 2012
	RMB million	*RMB million*
Cash and bank balances	**2,027.5**	1,536.7
Term deposits with initial terms of less than three months	**1.9**	750.2
	2,029.4	2,286.9
Denominated in:		
RMB	**1,946.4**	2,014.1
HK$	**78.8**	179.4
Other currencies	**4.2**	93.4
	2,029.4	2,286.9

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 CASH AND CASH EQUIVALENTS (continued)

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 30 June 2013 was 3.34% (as at 31 December 2012: 1.81%) per annum.

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

14 SHARE CAPITAL AND SHARE PREMIUM

Share capital

	Ordinary shares of HK$0.01 each *Number of shares*	Nominal Amount *RMB million*
Authorized:		
As at 1 January 2012, 31 December 2012 and 30 June 2013	30,000,000,000	296.0
Issued and fully paid:		
As at 1 January 2012, 31 December 2012 and 30 June 2013	8,434,233,000	83.1

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.

14 SHARE CAPITAL AND SHARE PREMIUM (continued)

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 referred to as "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 referred to as "Qualified Participants").

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

No options have been granted under the Share Option Scheme by the Group since its adoption and up to 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 TRADE PAYABLES

The normal credit period for trade payables generally ranges from 0 to 60 days. As at 30 June 2013, the aging analysis of trade payables is as follows:

	As at	
	30 June 2013	31 December 2012
	RMB million	*RMB million*
0 to 30 days	**1,206.6**	948.0
31 to 60 days	**272.6**	190.4
Over 60 days	**14.2**	14.9
	1,493.4	1,153.3

The carrying amounts of trade payables approximate their fair values.

16 SHORT-TERM BORROWINGS

As at 30 June 2013, the Group's bank borrowings are unsecured and carry interest at floating rates. The weighted average effective interest rate is 1.66% (as at 31 December 2012: 1.97%) per annum. The carrying amounts of the Group's bank borrowings are denominated in Hong Kong dollars and approximate their fair values. All of these bank borrowings are wholly repayable within 5 years.

17 ACQUISITION OF SUBSIDIARIES

On 20 March 2012, Synergy Eagle Limited (the "Buyer"), a wholly-owned subsidiary of the Company, and an independent third party (the "Seller") entered into a share purchase agreement (the "Agreement") pursuant to which the Seller agreed to sell to the Buyer the entire equity interests in Big Step Limited ("Big Step") ("Acquisition"). The Acquisition was completed by the end of March 2013 and the control of Big Step was effectively passed to the Group on 1 April 2013.

Big Step and its subsidiaries are principally engaged in the sales and distribution of sportswear products in the PRC. The products sold by Big Step and its subsidiaries are mainly under the brands of Nike and Adidas, which are generally in line with the existing business of the Group. As a result of the Acquisition, the Group expects to increase its presence in the market. It also expects to reduce costs through economies of scale. The goodwill of RMB517.1 million arising from the Acquisition is attributable to the operational synergy to be attained.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 ACQUISITION OF SUBSIDIARIES (continued)

The following table summarizes the consideration paid for Big Step, the fair value of assets acquired and liabilities assumed at the date of the Acquisition.

	RMB million
Cash settled up to 30 June 2013	**386.1**
Consideration payable as at 30 June 2013	**493.9**
Total cash consideration	**880.0**

Fair value of identifiable assets acquired and liabilities assumed

	RMB million
Property, plant and equipment *(Note 10)*	**65.5**
Trade and other receivables	**327.2**
Inventories	**457.4**
Other intangible assets *(Note 10)*	**249.0**
Deferred income tax assets	**0.3**
Term deposits with initial terms of over three months	**141.0**
Cash and cash equivalents	**60.2**
Trade and other payables	**(862.1)**
Deferred income tax liabilities	**(62.3)**
Current income tax liabilities	**(13.3)**
Total identifiable net assets	**362.9**
Goodwill *(Note 10)*	**517.1**
	880.0

During the period, the Acquisition was completed and the Group commenced to account for the business combination from the effective date when the Group gained control over Big Step. As at the date of this report, the initial accounting for the Acquisition is determined on a provisional basis as the allocation of fair value to the identifiable assets and liabilities of the Acquisition are still progressing. Adjustments to those provisional values of identifiable assets and liabilities, including any additional depreciation, amortization, and other profit or loss effect, if any, will be recognized on completion of the initial accounting.

The revenue and the results contributed by Big Step to the Group for the period since the Acquisition were relatively insignificant to the Group. The Group's revenue and results for the period would not be materially different if the Acquisition had occurred on 1 January 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 CAPITAL COMMITMENTS

As at 30 June 2013, the Group had the following capital commitments not provided for:

	As at	
	30 June 2013	31 December 2012
	RMB million	*RMB million*
Purchase of land in the PRC:		
– Contracted but not provided for	**—**	152.4
Construction commitments:		
– Contracted but not provided for	**427.5**	419.7
Acquisition of subsidiaries:		
– Contracted but not provided for	**—**	616.0

19 RELATED PARTY TRANSACTIONS

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

Transactions for the period

	Six months ended 30 June	
	2013	2012
	RMB million	*RMB million*
Transactions with an associate *(note a)*		
– Sales of goods	**0.2**	—
– Processing fee income	**4.1**	47.8
– Processing fee charges	**1.7**	—
– Purchases of goods	**47.1**	29.3
Key management compensation		
– Salaries, bonuses and other welfare *(note b)*	**7.2**	8.8

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (continued)

Period/year-end balances

	As at	
	30 June 2013	31 December 2012
	RMB million	*RMB million*
Receivables from/(payable to) an associate		
– Trade receivable *(note c)*	**2.2**	0.6
– Other receivable *(note d)*	**20.0**	32.4
– Trade payable *(note c)*	**(8.8)**	(11.4)
Receivable from a joint venture		
– Other receivable *(note d)*	**35.0**	5.0

Notes:

(a) Processing fee income and purchases of goods from the associate, and sales of goods and processing fee to the associate are on normal commercial terms and conditions.

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

(c) The receivables from/payable to the associate arise mainly from transactions as described above which are due for settlement one month after the date of invoice. The balances are unsecured, interest free and denominated in RMB.

(d) The balances represent advances made to the associate and the joint venture which are unsecured, interest free, repayable on demand and denominated in RMB.

20 SUBSEQUENT EVENTS

Pursuant to a share purchase agreement entered into by Mutual Crown Limited ("Mutual Crown"), a wholly-owned subsidiary of the Company, CDH Runway Investment (HK) Limited and CLSA Sunrise Capital, L.P. ("CLSA") on 5 August 2013, Mutual Crown has agreed to acquire approximately 31.96% of the total issued and outstanding share capital of Baroque Japan Limited ("Baroque"), a company incorporated in Japan and principally engaged in apparel and accessories retail business in Asia, for a consideration of US$93,963,022 (approximately RMB583.7 million) from CLSA ("Investment"). The Investment is expected to be completed by the end of 2013.

Furthermore, the Group will also establish, together with Baroque, a series of joint ventures to develop apparel and accessories business in PRC.

Other than the matter disclosed above, there have been no other significant events taken place subsequent to 30 June 2013 up to the date of this condensed consolidated interim financial information.

GENERAL INFORMATION

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

As at 30 June 2013, 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 on the Stock Exchange (the "Listing Rules"), were as follows:

(i) Interests in issued shares of the Company

Name of Director	Capacity/ Nature of interest	Number of Shares *(Note 1)*	Approximate percentage of interest in the Company
Mr. Tang Yiu	Interest in controlled corporation *(Note 2)*	2,627,500,000 (L)	31.15%
Mr. Sheng Baijiao	Founder of a discretionary trust *(Note 3)*	580,877,000 (L)	6.89%
	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 the Company ("Shares") were held by Profit Leader Holdings Limited ("Profit Leader"). Mr. Tang Yiu was beneficially interested in 65.00% of the issued share capital of Merry Century Investments Limited ("Merry Century"), which was interested in 55.73% of the issued share capital of Profit Leader.

(3) 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 14 to the Condensed Consolidated Interim Financial Information.

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

GENERAL INFORMATION

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

As at 30 June 2013, 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	3,781,750,000 (L)	44.84%
Handy Limited	Beneficial interest	580,877,000 (L)	6.89%
Essen Worldwide Limited	Beneficial interest	573,373,000 (L)	6.80%
Profit Leader	Beneficial interest	2,627,500,000 (L)	31.15%
Best Contact Holdings Limited	Interest in controlled corporation *(Note 2)*	580,877,000 (L)	6.89%
Merry Century	Interest in controlled corporation *(Note 3)*	2,627,500,000 (L)	31.15%
Golden Coral Holdings Limited	Interest in controlled corporation *(Note 3)*	2,627,500,000 (L)	31.15%
Mr. Tang Wai Lam	Interest in controlled corporation *(Note 4)*	2,627,500,000 (L)	31.15%
	Beneficial interest	17,887,500 (L)	0.21%
	Interest of spouse/child	2,000,000 (L)	0.02%
JPMorgan Chase & Co. *(Note 5)*	Beneficial owner/ Investment manager/ Custodian corporation/ Approved lending agent	625,217,181 (L)	7.41%
	Beneficial owner	621,524 (S)	0.01%
	Custodian corporation/ Approved lending agent	390,759,226 (P)	4.63%

GENERAL INFORMATION

Notes:

(1) The letter "L" denotes a long position in the Shares; the letter "S" denotes a short position in the Shares; the Letter "P" denotes a lending pool in the Shares.

(2) These Shares were held by Handy Limited. Best Contact Holdings Limited was interested in 59.43% of the issued share capital of Handy Limited.

(3) These Shares were held by Profit Leader. Merry Century was interested in 55.73% of the issued share capital of Profit Leader. Golden Coral Holdings Limited was interested in 33.35% of the issued share capital of Profit Leader.

(4) These Shares were held by Profit Leader. Mr. Tang Wai Lam was beneficially interested in 35.00% of the issued share capital of Merry Century, which was interested in 55.73% of the issued share capital of Profit Leader.

(5) JPMorgan Chase & Co., through various subsidiaries, had interest in the Shares, of which 53,102,555 Shares (long position) and 621,524 Shares (short position) were held in its capacity as beneficial owner, 181,355,400 Shares (long position) were held in its capacity as investment manager and 390,759,226 Shares (long position) were held in its capacity as custodian corporation/approved lending agent.

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) has 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 2013.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2013, 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 provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2013, except for the deviation from code provision A.6.7 (attendance of Non-executive Directors in general meetings) of the CG Code. Mr. Tang Yiu (Non-executive Director), Ms. Hu Xiaoling (Non-executive Director) and Dr. Xue Qiuzhi (Independent Non-executive Director) were unable to attend the annual general meeting of the Company held on 28 May 2013 due to other personal commitments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors of the Company. 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.

GENERAL INFORMATION

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee include (but without limitation) assisting the board of directors (the "Board") to provide an independent review and supervision of the Group's financial reporting and to ensure 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 delegated by the Board of the Company.

The Audit Committee comprises three Independent Non-executive Directors of the Company, namely, 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 2013.

REMUNERATION COMMITTEE

The primary responsibilities of the Remuneration Committee include (but without limitation) making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedures for developing such policies; determining the terms of 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.

NOMINATION COMMITTEE

The primary responsibilities of the Nomination Committee include (but without limitation) considering and recommending to the Board suitably qualified persons to become members of the Board, and reviewing the structure, size and composition of the Board on a regular basis and as and when required.

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

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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