Belle International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1880)

Second 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

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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

		Twelve months ended 31 December 2013	2012
Revenue	RMB million	**36,249.1**	32,859.0
Operating profit	RMB million	**5,642.3**	5,402.9
Income tax expense	RMB million	**1,539.9**	1,351.4
Profit attributable to the Company's equity holders	RMB million	**4,491.8**	4,352.3
Gross profit margin	%	**57.5**	56.6
Operating profit margin	%	**15.6**	16.4
Profit margin attributable to the Company's equity holders	%	**12.4**	13.2
Earnings per share			
– basic	RMB cents	**53.26**	51.60
– diluted	RMB cents	**53.26**	51.60

		As at 31 December 2013	2012
Gearing ratio	%	**6.7**	7.6
Current ratio	times	**2.9**	3.3
Average trade receivables turnover period	days	**32.5**	32.7
Average trade payables turnover period	days	**37.2**	30.8
Average inventory turnover period	days	**177.5**	173.9

STATEMENT FROM CHAIRMAN

Dear Shareholders,

In 2013, China's economy continued its transition, with slower growth momentum. As a result the consumer retail market experienced prolonged weakness.

Faced with a weak retail market and a challenging business environment, all my colleagues continued to work hard as one united team and achieved positive revenue growth and profit growth. We managed to consolidate market share and improve market competitiveness. I would like to take this opportunity to thank all my colleagues for their effort.

For the twelve months ended 31 December 2013 the Group grew revenues by 10.3%, operating profits by 4.4%, profit attributable to equity holders of the Company by 3.2%, as compared with the same period of last year. There were 1,093 net additions to company-managed footwear retail outlets and 420 net additions to company-managed sportswear retail outlets in Mainland China. As at 31 December 2013 the total number of company-managed retail outlets reached 19,233, of which 19,077 were located in Mainland China and 156 in Hong Kong and Macau.

Despite various challenges in the macroeconomic environment, the Group remains cautiously optimistic over the long-term growth of China's economy. With the Third Plenary Session of Eighteenth Central Committee that took place at the end of 2013, we observed a package of strategic plans for China to deepen its reforms, with market forces playing a critical role in the allocation of resources. There were a number of positive signs indicating a determination to pursue continued reform and healthy growth. The crystallization and implementation of relevant policies will take some time. But in terms of the future direction and the willpower to reform, most doubts and associated uncertainties that prevailed over the past while were cleared out of the way. Generally speaking, the future of China's economy is still bright. Per capita disposable income is expected to continue to rise. The demand for quality fashion products is expected to continue to expand. With the continued urbanization of China, the target customer base of the Group will become larger. The Group believes in the long term potential of the China consumer retail market. Our confidence to continue to increase investment and develop the Chinese market remains unchanged.

I believe, if all of us at Belle press on to uphold our good tradition and corporate culture, remain open to new ideas and fresh perspectives, and continue to learn and improve ourselves, we will be able to maintain competitiveness of the Group and achieve long-term sustainable growth.

Tang Yiu
Chairman

22 February 2014

STATEMENT FROM CEO

Dear Shareholders,

On behalf of the board of directors (the "Board") of the Company and all employees of the Group, I hereby report the results for the twelve months ended 31 December 2013 as follows:

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

The Group's revenue increased by 10.3% to RMB36,249.1 million in the twelve months ended 31 December 2013 compared with the same period of last year. Revenue of the footwear business increased by 5.9% to RMB22,277.7 million. The sportswear business recorded revenue of RMB13,971.4 million, up by 18.3% from the same period of last year. The relatively fast growth of the sportswear business was mainly due to the consolidation of the newly acquired business. The footwear business contributed 61.5% of the revenue of the Group, slightly lower than the 64.0% level in the same period of last year.

The Group's operating profit was RMB5,642.3 million, an increase of 4.4% from the same period of last year. Operating profit growth was lower than revenue growth, and operating profit margin also slightly declined due to two major reasons. First, the profit margin of segment results for the footwear business declined from the same period of last year. Second, the low-margin sportswear business grew faster than the footwear business, taking a larger share of the overall business mix.

Profit attributable to the equity holders of the Company amounted to RMB4,491.8 million, an increase of 3.2% from the same period of last year.

Earnings per share amounted to RMB53.26 cents, an increase of 3.2% from the RMB51.60 cents of the same period last year. The Board has resolved not to declare a second interim dividend for the fourteen months ending 28 February 2014, and recommendation of a final dividend will be considered in the board meeting considering and approving the results for the fourteen months ending 28 February 2014.

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 of the footwear business 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, 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.

STATEMENT FROM CEO

The table below sets out the revenue of the footwear business from the 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.

	Twelve months ended 31 December				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Company-owned brands	**20,266.7**	**91.0%**	18,741.8	89.1%	8.1%
Distribution brands	**1,704.8**	**7.6%**	1,874.4	8.9%	(9.0%)
Sub-total	**21,971.5**	**98.6%**	20,616.2	98.0%	6.6%
International trade	**306.2**	**1.4%**	429.1	2.0%	(28.6%)
Total	**22,277.7**	**100.0%**	21,045.3	100.0%	5.9%

Unit: RMB million

Sportswear business

The majority of the sportswear business is in the form of distribution business, 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 of the Group; 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 the 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.

	Twelve months ended 31 December				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
First-tier sportswear brands	**12,393.1**	**88.7%**	10,434.3	88.3%	18.8%
Second-tier sportswear brands	**1,440.7**	**10.3%**	1,301.0	11.0%	10.7%
Other sportswear business	**137.6**	**1.0%**	78.4	0.7%	75.5%
Total	**13,971.4**	**100.0%**	11,813.7	100.0%	18.3%

Unit: RMB million

STATEMENT FROM CEO

Expansion of company-managed retail outlets network

The following map shows the geographical distribution of the company-managed retail outlets of the Group in Mainland China as at 31 December 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 31 December 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	1,905	278	2,183	688	161	849	3,032
Northern China	1,846	214	2,060	715	139	854	2,914
Southern China	1,928	130	2,058	698	151	849	2,907
Shandong and Henan	1,250	51	1,301	999	362	1,361	2,662
North-eastern China	1,136	98	1,234	565	66	631	1,865
North-western China	1,095	121	1,216	304	57	361	1,577
South-western China	1,017	89	1,106	341	10	351	1,457
Central China	850	89	939	308	38	346	1,285
Yunnan and Guizhou	628	22	650	222	70	292	942
Guangzhou	421	15	436	–	–	–	436
Total	12,076	1,107	13,183	4,840	1,054	5,894	19,077

Note: In addition, the Group operates 156 company-managed retail outlets in Hong Kong and Macau.

OVERVIEW OF THE MARKET AND MANAGEMENT DISCUSSIONS

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

In 2013 China's economy continued to experience a slowdown in growth. GDP grew by 7.7% over the same period of last year. Consumer Price Index was up 2.6%. The aggregate retail value of social consumer goods increased by 13.1%. Real disposable income was up by 7.0% per capita for urban residents. The macro-level data might appear to be largely consistent with the prior year. However, the uncertainties associated with the economic transition and its prospects were weighing heavily on consumers, resulting in very sluggish consumer sentiment. Meanwhile, it also takes time to resolve the various structural issues in the economy. Consumption and domestic demand are not likely to become the main drivers of growth in the near term. The business environment continued to deteriorate, with continuously rising costs and expenses.

The retail channels continued to evolve and change. With more completions of shopping malls and rapid growth in e-commerce, the foot traffic in the department store channel is getting diluted. The department store channel also experienced an over-expansion in the past few years, resulting in low productivity of the new stores as well as a dilution of foot traffic in existing stores, which will take years to digest. The department store channel has traditionally been the main retail channel for quality fashion products. The retail business of the Group, especially our footwear business, is conducted mainly through the department store channel. Although in the particular categories of the Group, shopping malls and e-commerce have not been effective in replacing department stores as suitable channels, the divergence and dilution of foot traffic does create a significant drag on the retail business of the Group.

STATEMENT FROM CEO

While short-term pain is unavoidable, long-term prospects remain untarnished. We continue to believe in the long-term steady growth of China's economy and residents' income. With higher spending power and an expanded customer base, the market demand for quality fashion products is expected to continue to grow. As discussed above, the emerging new channels have not been effective in replacing the department stores in the retail of mid-to-high-end footwear products. In the mean time, with regard to the emerging shopping mall channel and e-commerce market, the Group has been proactive in the investment and exploration in these new areas, already achieving a favorable lead vis-à-vis competition. In spite of a challenging environment we are committed to ramping up investment, on the one hand to enhance brand equity and maintain competitiveness, and on the other hand to develop omni-channel capabilities and continue to expand the addressable market.

Review of the footwear business

In the twelve months ended 31 December 2013, the footwear business of the Group recorded revenue growth of 5.9%, a rate significantly lower than prior years. There are three major reasons. First, same store sales growth was weak. Second, there was a slowdown in new store expansion. Third, lost revenues from the discontinuation of a certain brand could not be fully offset by a new distribution brand.

In 2013 the footwear business recorded a same store sales growth close to 2%. Average selling price was up slightly more than 2%, reflecting a benign promotional environment as well as the efforts by the Group to improve the quality of operations and merchandising on the back of organizational improvements. Same store volume was slightly down, which was closely related to the weak foot traffic in the department store channel as well as overall sluggish consumer sentiment.

Store network expansion in 2013 was back in the normal range. As at 31 December 2013 the Group operated 13,183 company-managed footwear retail outlets in Mainland China, a net increase of 1,093 outlets, or 9.0%, from the end of 2012. As a retailer we always prefer a reasonable and steady pace of store network expansion. When many new stores are opened rapidly, they are not going to be properly supported by existing human resources and managerial resources, resulting in low-quality new stores as well as performance dilution for the existing stores. In the next two to three years, the Group expects to maintain a pace of network expansion similar to that of 2013. Currently the Group operates company-managed footwear outlets in just over 360 cities across China, covering about 2,100 department stores. 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 points of sales.

The gross profit margin of the footwear business was higher than the same period of last year, due to three major reasons. First, the cost environment was moderate. With the gradual relocation of our manufacturing facilities to the inland areas, manufacturing labor cost on a per unit basis did not increase. Second, the promotional environment was normal in the department store channel. Third, 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, replenishing fast-moving products and clearing out slow-moving products on a timely basis, which supported healthy gross profit margins.

Selling and distribution expenses of the footwear business, as a percentage of sales, were higher than the prior year. 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. On the other hand, retail staff expenses, including wages and social security expenses, continued to rise.

STATEMENT FROM CEO

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 2013, which was not enough to effectively offset the increase of various administrative expenses especially wage expenses.

The profit margin of segment results for the footwear business was 22.9%, lower than the same period of last year. A closer look at the trending shows that the profit margin of segment results for the footwear business of the Group was largely stable between 22% and 24% since the second half of 2012. Only in the first half of 2012 the profit margin of segment results for the footwear business was slightly above the normal historical range. In the foreseeable future, the Group does not expect material changes in the industry landscape or the cost structure, which will enable us to maintain a relatively steady profit margin.

Review of the sportswear business

In the twelve months ended 31 December 2013, the sportswear business recorded revenue growth of 18.3%, mostly driven by the following two factors. First, same store sales growth was relatively healthy. Second, the Big Step acquisition was completed in 2013 and its financials were consolidated since the second quarter of the year, contributing more than 10 percentage points of sales growth for the year.

In the sportswear business, same store sales growth was about 5.5% for 2013, with average selling price up by about 2% and volume growing more than 3%. Both athletic apparel and athletic footwear categories were performing at similar levels.

In 2013 there were 420 net additions to the network of sportswear retail outlets. However, taking into account of the consolidation of Big Step with more than 500 stores, the number of retail outlets in the sportswear business actually experienced a small decline during the year. First, because of the discontinuation of a brand, we closed most of the stores under the brand during the year, involving over 200 stores. Second, because of the integration of the newly acquired business the Group underwent an optimization of its existing sportswear store network in the second and third quarters, resulting in the closure of a limited number of stores. The said optimization process was largely complete by the end of the third quarter. In the fourth quarter the Group resumed normal expansions of sportswear retail outlets.

The gross profit margin of the sportswear business was higher than the same period of last year by more than 2 percentage points because of two major reasons. First, the promotional environment was gradually normalized, resulting in less discounting. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost.

Selling and distribution expenses of the sportswear business, as a percentage of sales, were higher than the same period of last year. This was mainly because staff related expenses continued to rise. 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 4.8%, slightly better than the same period of last year. In the first half of 2013 profit margins were better at over 5%, while in the second half margins were slightly lower at about 4%. This was mainly because of the integration of the newly acquired Big Step business. On the one hand there were some drags from the past, including some excess inventory and a sub-optimal product mix, which were being digested mainly in the second half of the year. On the other hand, during the integration process there were some losses associated with adjustments made to certain stores and certain areas of business, negatively impacting profitability in the second half of the year.

STATEMENT FROM CEO

In our view the overall weakness of the sportswear market in China, although partly related to heightened levels of competition, is mainly due to business model related issues including the profitability and sustainability of the distribution business, and not mainly because of inventory cycle related issues that had been the focal point in the capital market. During the early stage for international sportswear brands to develop the China market, distributors enjoyed high gross profit margins in a favorable competitive environment as well as relatively low expenses including rent and staff expenses. Profitability was strong for distributors. On top of that, there were also plenty of growth opportunities. As a result distributors had the means and motivation to continue to invest in the distribution and retail business. Over the past five to six years, however, opportunities from rapid growth were mostly gone. Gross profit margin was under pressure due to heightened competition in a maturing market. Moreover, various expenses including rent and staff expenses continue to rise, further squeezing profitability from distributors. Some distributors were struggling with cash and deprived of the ability to continue to operate their businesses as a going concern, creating enormous pressure on sell-through to end customers. For any category market and any brand, every piece along the whole value chain has to work and provide positive feedback to each other. If any one component, especial when it is the component that sells through to end consumers, is under pressure and cannot function properly, there will be hiccups and malfunctions along the whole value chain.

Fortunately regarding the problems discussed above, brands including Nike and Adidas have been able to reach consensus with distributors on most of the issues. They are already taking action to tackle the issues including but not limited to the following. First, help distributors regain a reasonable profit margin by lowering cost of purchases. Second, performance evaluation should be based on a package of brand-centric metrics including retail sell-through. Futures orders should be right-sized. Third, brand companies should undertake careful planning and market-wide coordination to avoid unhealthy competition and reward better distributors with more resources.

The Group believes that tier-one 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 partner of these brands we have the confidence to continue to ramp up investment and improve quality of operations. We look forward to strengthening our partnership with the brand companies and achieving profitable, quality growth over the long run.

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 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 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 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.

STATEMENT FROM CEO

In the twelve months ended 31 December 2013 the sportswear segment increased its revenue contribution to 38.5% from 36.0% in the same period last year. The change was mostly driven by the consolidation of Big Step in the second quarter of 2013, which stepped up the business scale of the sportswear business. The increase in the proportional weight of the sportswear business had a negative impact on blended profitability metrics of the Group.

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 25.6% in the twelve months ended 31 December 2013, higher from the same period of last year by 1.8 percentage points. The main reason is because He Zhong Apparel (Shenzhen) Limited ("He Zhong"), an important subsidiary of the Group 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 end of 2012. From 2013 He Zhong is subject to the full income tax rate of 25%.

From 2013, in Mainland China, the income tax rate for the footwear businesses as well as the sportswear business will remain at the current level of about 25%. The income tax rate for the 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%.

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 few years. Government subsidies, while closely related to taxes paid by certain subsidiaries of the Group in specific regions, 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 177.5 days in the twelve months ended 31 December 2013, slightly higher than the level of 173.9 days in 2012. The average inventory turnover days for the footwear business were 204.6 days, which were consistent with the 204.0 days for 2012. For the sportswear business, the average inventory turnover days were 155.1 days, higher than the 146.2 days for 2012.

The inventory balance as of 31 December 2013 was RMB7,934.4 million, an increase of 12.8% from the balance of RMB7,032.7 million at the end of 2012. The increase in inventory balance was slightly higher than the 10.3% revenue growth, mainly because of faster inventory increase in the sportswear business.

There are two major reasons for the increase of average inventory turnover days for the sportswear business. First, the acquired Big Step business was consolidated in the second quarter of 2013, bringing with it some excess inventory that would take some time to digest. Second, the Spring Festival in 2014 was earlier than usual. The peak holiday selling season was concentrated in January. As a result the sportswear brand companies pushed for earlier shipment of ordered goods, mostly concentrated in December.

Taking into account the above-mentioned factors, generally speaking, for both footwear and sportswear businesses inventory was within the normal range, in terms of absolute quantities and also product mix.

STATEMENT FROM CEO

Labor cost and staff expenses

Over the past five to six years the wages and social security expenses for front-line workers increased dramatically. In 2010 and 2011 when same store sales growth was high, productivity improvement on a per-store and per-person basis was enough to offset increases in staff expenses. In 2012 and 2013, due to much weaker same store sales growth, the pressure from higher staff expenses became more and more pronounced, becoming the number one factor behind the profitability decline of the Group.

The wage inflation is expected to continue into the next two to three years. With a higher base the pace of wage increase is unlikely to reach double-digit levels on an annual basis as in the past few years. With a normalization of new store opening the dilution effect coming from low-productivity new stores is expected to be less significant as in the past couple of years, which is a positive factor in our effort to curb staff related expenses from rising too fast.

A high level of staff turnover in retail stores is a global phenomenon, and even more pronounced in a developing China market. A sales associate position, to many young people, might be the first step in their various careers. For them at this particular stage, our objective is not only to provide them with competitive compensation packages, but also to facilitate their growth with adequate training in both skills and a culture in teamwork. We also expect the newcomers to bring with them fresh perspectives and youthful vigor. We continue to find talent among these young sales associates and try to retain those who fit into the retail business and managerial positions. We believe that with continued investment in human resources and the cultivation of the "we're together" corporate culture, we will be in a position to gradually improve the cohesiveness and competitiveness of our retail team. With stronger people and stronger teams we will be able to continue to improve sales productivity on a per-store and per-person basis. In a way staff related expenses should not be viewed as a main factor that takes away profitability of businesses, but rather, key enablers of profitable and sustainable growth.

With regard to manufacturing, the Group will continue the process of moving production to the inland areas and reallocating our manufacturing resources. On the one hand this effort can help us improve stability in the manufacturing labor pool, especially in light of the shortage of labor supply in southern China as well as the seasonal disruptions. On the other hand the geographical relocation also helps alleviate and partly offset the cost pressure due to labor wage inflation. The relocation process is a gradual long-term undertaking. In the foreseeable future the Group does not have plans to significantly reduce capacity in the southern China production bases.

Strategic investments and acquisitions

In 2013 the Group undertook two strategic investment and acquisition projects.

- Baroque

  In the next three to five years the major objective of the Group is still to focus on the footwear market, maximizing our market coverage in the various target segments. In a longer term time horizon, it is the view of the Group that it would be a meaningful undertaking for us to enter the closely related fashion apparel category. On the one hand there is a brand new growth opportunity. On the other hand potential synergies will enhance our leadership position in the fashion retail market.

STATEMENT FROM CEO

In a brand new product category the Group was looking for the right partner in order to pool complementary capabilities and achieve win-win for both parties. If a potential partner has strong product design, brand marketing, and supply chain capabilities, coupled with our strong channel development, retail management capabilities and logistic support in China, the partnership would be very well positioned to achieve long-term success in the China market. Baroque Japan Limited ("Baroque") is a leading apparel company in R&D and brand marketing with an established supply chain. In its effort to develop the China market Baroque was also in great need of localized support. As such Baroque and the Group became a perfect fit in this partnership, both in terms of willingness to cooperate and also in terms of complementary resources.

There are two levels of partnerships between Baroque and the Group. In China we were to set up joint ventures to develop the fashion apparel retail business together. At the brand company level, the Group purchased a stake to become the largest shareholder of Baroque. The Group believes with such a twin-level arrangement we can be more engaged with the brand company and to improve the quality of communications. With more alignment in economic interest and more stability the partnership stands to be more fruitful and more sustainable.

This cooperation project is a first step for the Group to get involved in the fashion apparel category. In the next two to three years our priorities will be more on the side of skill acquisition and team building. The Group hopes to create a strong fashion apparel team and a solid, competitive fashion apparel business platform over the next few years, with Baroque as the pilot project.

The investment in Baroque Japan Limited was completed in the third quarter of 2013. The China joint ventures were established in the fourth quarter of 2013, with the recruiting and team building process largely complete. 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 in the next couple of years.

- Longhao

The Group is committed to a multi-brand growth strategy and has been proactive in expanding our price range. In the middle-end fashion footwear segment the Group already operates 6 brands, with no immediate plans to make further additions. In the mid-to-high-end fashion footwear segment the Group currently operates 3 brands in Mainland China, and does not rule out the possibility of adding or introducing one or two brands when the right opportunities arise. In the mass market and fast fashion footwear segment the Group rolled out the ":15MINS" brand two years ago and is still in the process of testing the market in selected regions and experimenting with the business model. In the high-end footwear segment the China market is dominated by tier-one international casual brands, including Clarks and Hush Puppies that the Group carries on a licensing or distribution basis.

龍浩天地股份有限公司 ("Longhao") has been diligently exploring the high-end casual footwear market in China for almost twenty years. The SKAP brand in its portfolio, with clear market positioning and consistent brand building, is the only visible domestic brand to directly compete with tier-one international brands in the high-end casual footwear market. In some regions the SKAP brand achieves deeper penetration and higher productivity than competing international brands such as Clarks and Geox.

STATEMENT FROM CEO

The acquisition will complement the Group's current portfolio of brands as it enables the Group to own and operate a proprietary brand in the high-end casual footwear segment. On the other hand, at its current stage of development Longhao was also facing a number of managerial and growth bottlenecks. Leveraging the national channel development and retail management platform of the Group, the SKAP brand has the opportunity to further expand its coverage across different regions and different channels to achieve higher penetration. Moreover, since Longhao is in the same line of business as the Group, there are opportunities to achieve synergy and enjoy economies of scale in areas such as supply chain, retail management and logistic support.

With regard to this acquisition we have already obtained approval from the Ministry of Commerce of the PRC. Currently we are in the process of clearing the administrative procedures related to the share transfer, which are expected to be completed by the end of the first quarter of 2014. In the next one to two years, due to necessary business integration, the top-line and bottom-line contribution to the Group from Longhao is expected to be very limited.

Strategies and Prospects

In the past two years, with the painful transition of China's economy, the consumer retail market has entered a "new normal" state of lower growth. Traditional retail channels including the street shops and department stores are under continued pressure due to weak foot traffic. New emerging channels have not been able to take over as effective channels for quality fashion products. In the near future various businesses of the Group will still be facing enormous challenges. In an unfavorable environment the strategies and tactics of the Group, however, are still holding firm and focused on the following two main areas.

On the existing core business the main objective of the Group is to maintain market competitiveness and enhance market share. In a weak retail environment the measures we focus on to improve competitiveness are mainly centered on further improving our own capabilities and enhancing the business infrastructure, including the following major aspects. First, we will continue the process of setting up brand-centered business units for middle-end brands, aimed at strengthening the brand management teams at the headquarters. The redefinition of roles and accountability will help highlight the respective brands, achieve consistency, and improve brand differentiation. More coordination among designing, manufacturing, brand marketing and retailing will also improve efficiencies in merchandising and operations, providing more flexibility in the supply chain. Second, we will continue to push adaptive organizational changes. The same time we strengthen the brand teams at the headquarters level, we are also going to push more decentralization in retail operations. By narrowing the managerial scope of front-line managers we want to make sure the operational decisions are made on a timely basis and more responsive to changes in the marketplace. This is also to make sure that the incentive schemes are detailed and specific for each position. Third, we are currently in the process of streamlining our logistic infrastructure across the country. In key regions and key hubs we are building distribution centers with relatively large scale. We are also working on upgrading the existing warehousing facilities in various regions, by standardizing the processes and implementing standardized information systems, in an effort to improve efficiency and quality of logistic operations. Fourth, we are in the process of planning the next generation of retail POS information system. The main objectives are real-time processing of data, improving customer services, providing more relevant business analytics, and potentially laying the technological foundation to enable the future integration of the online business and offline business.

STATEMENT FROM CEO

While enhancing the core business, the Group also continues to actively explore various new business initiatives. From a defensive point of view, these efforts allow us to stay current and involved in emerging areas, and to build our skills on a preemptive basis. During the exploration and experimentation we also actively seek potential offensive opportunities. The development of new business initiatives, at the moment, is mostly centered on the theme of evolving channels. First, with e-commerce we continue to push the extension of our major brands toward the online space and achieve omni-channel penetration of footwear brands. We continue to grow the yougou.com platform in an effort to build a leading vertical B2C platform specialized in high-quality fashion products. Second, the Group has been actively experimenting with the multi-brand store format that is specifically designed for the shopping mall channel. The main objective is to provide more choice of products in a larger space, improving the ability to attract foot traffic on a stand-alone basis. With differentiated product offerings we aim to provide a one-stop footwear destination for consumers. At the same time this store format has the potential to be more efficient because per-sqm rent is lower for a larger space and sales productivity is usually higher on a per-person basis in a larger store. As discussed above, the development of emerging channels including e-commerce and shopping malls has caused a dilution to the foot traffic in the department stores as well as street shops. In the high-quality fashion footwear category, however, the emerging channels are not yet ideal for the sales of middle-end, mid-to-high-end fashion shoes due to various constraints. The emerging channels have not been able to become effective replacement channels for department stores. The Group has been proactive in exploring these emerging channels and our involvement is well ahead of competition. This allows us to accumulate experience and acquire relevant skills, which can later be utilized to develop new sales models that adapt into the emerging channels. These new initiatives not only will protect the Group's share in the footwear market, but also will help cultivate new areas of growth.

On top of our efforts to develop multiple channels, the Group is also actively exploring the following new initiatives. First, we have been expanding the price range of our brand portfolio. The launch of the ":15MINS" brand was the first initiative for the Group to make an inroad into the mass market segment. Second, we will continue to cultivate our brand portfolio. In the mid-to-high-end fashion footwear segment and high-end casual footwear segment we will be actively looking to introduce high-quality brands. Third, with the Baroque partnership as a pilot project, we are actively making a category offense into women's fashion apparel market.

The measures discussed above are mainly aimed at improving internal capabilities, upgrading business infrastructure, and exploring various new initiatives. In and of themselves, these measures will not be able to provide short-term growth momentum, nor can they provide immediate solutions to the weakness in the overall market. But the Group believes that it takes human effort to make a difference and eventually you can make a difference if you persist over the long run. If we can uphold our vigilant and learning tradition, if we always embrace innovation and change, we will be able to make a difference over time and stay ahead of competition to grow even stronger in an intensely competitive market. With the continuous development and upgrade of the China consumer market we will be well positioned to achieve high-quality sustainable growth in the long term.

Sheng Baijiao
CEO and Executive Director

22 February 2014

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

During the twelve months ended 31 December 2013, the Group recorded revenue and operating profit of RMB36,249.1 million and RMB5,642.3 million respectively, achieving growth rate of 10.3% and 4.4% respectively. The profit attributable to the Company's equity holders during the period under review amounted to RMB4,491.8 million, representing an increase of 3.2% when compared with the same period of last year.

REVENUE

The Group's revenue increased by 10.3%, from RMB32,859.0 million for the year ended 31 December 2012 to RMB36,249.1 million for the twelve months ended 31 December 2013. Revenue of the footwear business increased by 5.9%, from RMB21,045.3 million for the year ended 31 December 2012 to RMB22,277.7 million for the twelve months ended 31 December 2013. It is attributable to the continually steady growth of sales generated from the footwear business as compared with the same period of last year. The sportswear business increased by 18.3%, from RMB11,813.7 million for the year ended 31 December 2012 to RMB13,971.4 million for the twelve months ended 31 December 2013. The relatively fast growth of the sportswear business was mainly due to the consolidation of the newly acquired business.

	Twelve months ended 31 December				
	2013		2012		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Footwear					
Company-owned brands	**20,266.7**	**55.9%**	18,741.8	57.0%	8.1%
Distribution brands	**1,704.8**	**4.7%**	1,874.4	5.7%	(9.0%)
International trade	**306.2**	**0.9%**	429.1	1.3%	(28.6%)
Sub-total	**22,277.7**	**61.5%**	21,045.3	64.0%	5.9%
Sportswear					
First-tier sportswear brands*	**12,393.1**	**34.2%**	10,434.3	31.8%	18.8%
Second-tier sportswear brands*	**1,440.7**	**4.0%**	1,301.0	4.0%	10.7%
Other sportswear business	**137.6**	**0.3%**	78.4	0.2%	75.5%
Sub-total	**13,971.4**	**38.5%**	11,813.7	36.0%	18.3%
Total	**36,249.1**	**100.0%**	32,859.0	100.0%	10.3%

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

On account of the continuous growth of the Group's business, operating profit increased by 4.4% to RMB5,642.3 million for the twelve months ended 31 December 2013. The profit attributable to the Company's equity holders increased by 3.2% to RMB4,491.8 million in the twelve months ended 31 December 2013.

	Twelve months ended 31 December					
	2013		2012		Growth rate	
	Footwear	**Sportswear**	Footwear	Sportswear	Footwear	Sportswear
	RMB million	***RMB million***	*RMB million*	*RMB million*	%	%
Revenue	**22,277.7**	**13,971.4**	21,045.3	11,813.7	5.9	18.3
Cost of sales	**(6,964.1)**	**(8,425.3)**	(6,830.4)	(7,430.4)	2.0	13.4
Gross profit	**15,313.6**	**5,546.1**	14,214.9	4,383.3	7.7	26.5
Gross profit margin (%)	**68.7**	**39.7**	67.5	37.1		

Cost of sales increased by 7.9% from RMB14,260.8 million for the year ended 31 December 2012 to RMB15,389.4 million for the twelve months ended 31 December 2013. Gross profit in the Group's footwear segment increased by 7.7% to RMB15,313.6 million for the twelve months ended 31 December 2013 from RMB14,214.9 million for the year ended 31 December 2012. Gross profit in the sportswear segment increased by 26.5% to RMB5,546.1 million for the twelve months ended 31 December 2013 from RMB4,383.3 million for the year ended 31 December 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 57.5% for the twelve months ended 31 December 2013 from 56.6% for the year ended 31 December 2012.

During the period under review, the gross profit margins of the footwear business and the sportswear business were 68.7% and 39.7% respectively. The gross profit margin of the footwear business was higher than the same period of last year, due to three major reasons. First, the cost environment was moderate. With the gradual relocation of our manufacturing facilities to the inland areas, manufacturing labor cost on a per unit basis did not increase. Second, the promotional environment was normal in the department store channel. Third, 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, replenishing fast-moving products and clearing out slow-moving products on a timely basis, which supported healthy gross profit margins. The gross profit margin of the sportswear business was higher than the same period of last year by more than 2 percentage points because of two major reasons. First, the promotional environment was gradually normalized, resulting in less discounting. Second, brand companies provided more subsidies and support to distributors, resulting in reduced purchase cost.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses for the twelve months ended 31 December 2013 amounted to RMB12,771.1 million (2012: RMB11,081.1 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 twelve months ended 31 December 2013 amounted to RMB2,810.1 million (2012: RMB2,387.1 million), primarily consisting of management and administrative personnel salaries, depreciation charges on office premises and office equipment, and business surtaxes. In terms of percentage, the ratios of selling and distribution expenses, and general and administrative expenses to revenue were 35.2% (2012: 33.7%) and 7.8% (2012: 7.3%) respectively. Selling and distribution expenses, as a percentage of sales, were higher than the prior year. The main reasons are as follows. First, for both footwear business and 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.

During the twelve months ended 31 December 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 RMB32.6 million (2012: RMB6.6 million) as a result.

Interest income increased from RMB302.8 million for the year ended 31 December 2012, to RMB359.8 million for the twelve months ended 31 December 2013. It is mainly due to the increase in the Group's internal cash reserve during the twelve months ended 31 December 2013, of which the balances of structured bank deposit products, with higher interest rate earned, increased RMB532.2 million, from RMB5,746.0 million as at 31 December 2012 to RMB6,278.2 million as at 31 December 2013.

Interest expense decreased from RMB40.7 million for the year ended 31 December 2012, to RMB34.8 million for the twelve months ended 31 December 2013. Despite the average balance of bank borrowings was higher for the twelve months ended 31 December 2013, the average bank borrowing interest rates was lower than that of the same period of last year, which resulted in a slight decrease in interest expense for the twelve months ended 31 December 2013.

Income tax expense for the twelve months ended 31 December 2013 amounted to RMB1,539.9 million (2012: RMB1,351.4 million). The effective income tax rate increased by 1.8 percentage points to 25.6% for the twelve months ended 31 December 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%. The income tax rate for the Hong Kong business is 16.5%

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INCOME

Other income amounted to RMB376.9 million for the twelve months ended 31 December 2013 (2012: RMB272.9 million) consists mainly of government incentives and rental income.

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 twelve months ended 31 December 2013, the total capital expenditure was RMB1,537.4 million (2012: RMB1,520.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a strong and healthy balance sheet. As at 31 December 2013, the net working capital of the Group was RMB14,224.3 million, representing an increase of 3.4% or RMB467.4 million as compared with 31 December 2012. As at 31 December 2013, the Group's gearing ratio was 6.7% (31 December 2012: 7.6%) (Gearing ratio is calculated by using the following formula: Total Borrowings / Total Assets). As at 31 December 2013, the Group's current ratio was 2.9 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 RMB203.1 million to RMB6,405.1 million from RMB6,202.0 million of the same period of last year.

Net cash used in investing activities for the twelve months ended 31 December 2013 was RMB2,954.9 million (2012: RMB4,142.5 million). During the period under review, the Group invested RMB577.2 million, RMB1,537.4 million, RMB582.9 million and RMB130.6 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, acquisition of an associate and acquisitions of subsidiaries (net of cash acquired) respectively, partly offset by net decrease of RMB551.0 million in term deposit with initial terms over three months.

During the period under review, net cash used in financing activities was RMB856.7 million (2012: RMB851.7 million), mainly attributable to the payments of the 2012 final dividend of RMB674.7 million and the 2013 interim dividend of RMB674.7 million, partly offset by net proceeds of borrowings of RMB121.9 million and interest received of RMB405.6 million.

As at 31 December 2013, the Group held cash and cash equivalents, structured bank deposit products and term deposits with initial terms of over three months totaling RMB9,915.0 million (31 December 2012: RMB8,525.4 million), and was in a net cash position of RMB7,670.7 million (31 December 2012: RMB6,349.1 million) after netting off the short-term borrowings of RMB2,244.3 million (31 December 2012: RMB2,176.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 31 December 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 31 December 2013, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 31 December 2013, the Group had a total of 120,204 employees (31 December 2012: 116,263 employees). During the twelve months ended 31 December 2013, total staff cost was RMB5,603.9 million (2012: RMB4,767.2 million), accounting for 15.5% (2012: 14.5%) 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.

SECOND INTERIM DIVIDEND

The board of directors (the "Board") of the Company did not declare a second interim dividend for the fourteen months ending 28 February 2014. Together with the first interim dividend of RMB8.0 cents per ordinary share paid on 18 October 2013, total interim dividends for the fourteen months ending 28 February 2014 is RMB8.0 cents (2012 total interim dividend: RMB8.0 cents) per ordinary share, totaling RMB674.7 million (2012 total interim dividend: RMB674.7 million).

CHANGE OF FINANCIAL YEAR END DATE

As announced on 8 September 2013, the Board resolved to change the financial year end date of the Company from 31 December to 28 February (or 29 February in a leap year). Accordingly, the first financial period of the Company after the change is the fourteen months ending 28 February 2014.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

pwc

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 28 to 52, which comprises the condensed consolidated balance sheet of Belle International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 December 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 twelve-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 February 2014

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CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

	Note	Twelve months ended 31 December 2013 (Unaudited) *RMB million*	2012 (Audited) *RMB million*
Revenue	4	**36,249.1**	32,859.0
Costs of sales		**(15,389.4)**	(14,260.8)
Gross profit		**20,859.7**	18,598.2
Selling and distribution expenses		**(12,771.1)**	(11,081.1)
General and administrative expenses		**(2,810.1)**	(2,387.1)
Other income	5	**376.9**	272.9
Other expenses		**(13.1)**	–
Operating profit	6	**5,642.3**	5,402.9
Finance income		**392.4**	309.4
Finance costs		**(34.8)**	(40.7)
Finance income, net	7	**357.6**	268.7
Share of profits of associates and a joint venture		**4.7**	4.9
		362.3	273.6
Profit before income tax		**6,004.6**	5,676.5
Income tax expense	8	**(1,539.9)**	(1,351.4)
Profit for the period/year		**4,464.7**	4,325.1
Attributable to:			
Equity holders of the Company		**4,491.8**	4,352.3
Non-controlling interests		**(27.1)**	(27.2)
		4,464.7	4,325.1
Earnings per share attributable to equity holders of the Company during the period/year	9		
– basic		**RMB53.26 cents**	RMB51.60 cents
– diluted		**RMB53.26 cents**	RMB51.60 cents

The notes on pages 34 to 52 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 10.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

	Twelve months ended 31 December	
	2013	2012
	(Unaudited)	(Audited)
	RMB million	*RMB million*
Profit for the period/year	**4,464.7**	4,325.1
Other comprehensive loss		
Items that may be subsequently reclassified to income statement:		
Exchange differences	**(39.5)**	(6.1)
Other comprehensive loss for the period/year	**(39.5)**	(6.1)
Total comprehensive income for the period/year	**4,425.2**	4,319.0
Attributable to:		
Equity holders of the Company	**4,452.3**	4,346.2
Non-controlling interests	**(27.1)**	(27.2)
	4,425.2	4,319.0

The notes on pages 34 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	As at 31 December 2013 (Unaudited) *RMB million*	As at 31 December 2012 (Audited) *RMB million*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**3,660.4**	3,347.2
Land use rights	11	**1,555.4**	1,290.5
Investment properties	11	**326.8**	335.4
Intangible assets	11	**3,471.1**	2,731.6
Interests in associates and a joint venture	12	**691.2**	109.3
Long-term deposits, prepayments and other non-current assets		**972.2**	603.5
Deferred income tax assets		**445.3**	465.6
Structured bank deposit products	13	**504.9**	103.5
		11,627.3	8,986.6
Current assets			
Inventories		**7,934.4**	7,032.7
Trade receivables	14	**3,328.2**	3,134.3
Deposits, prepayments and other receivables		**1,202.4**	1,027.3
Structured bank deposit products	13	**5,773.3**	5,642.5
Term deposits with initial terms of over three months	13	**81.7**	492.5
Cash and cash equivalents	15	**3,555.1**	2,286.9
		21,875.1	19,616.2
Total assets		**33,502.4**	28,602.8

The notes on pages 34 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2013

	Note	As at 31 December 2013 (Unaudited) RMB million	2012 (Audited) RMB million
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	16	**83.1**	83.1
Share premium	16	**9,214.1**	9,214.1
Reserves		**16,226.2**	13,123.3
		25,523.4	22,420.5
Non-controlling interests		**116.1**	142.9
Total equity		**25,639.5**	22,563.4
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**148.7**	110.9
Deferred income		**63.4**	69.2
		212.1	180.1
Current liabilities			
Trade payables	17	**1,982.4**	1,153.3
Other payables, accruals and other current liabilities		**2,112.7**	1,457.6
Short-term borrowings	18	**2,244.3**	2,176.3
Current income tax liabilities		**1,311.4**	1,072.1
		7,650.8	5,859.3
Total liabilities		**7,862.9**	6,039.4
Total equity and liabilities		**33,502.4**	28,602.8
Net current assets		**14,224.3**	13,756.9
Total assets less current liabilities		**25,851.6**	22,743.5

The notes on pages 34 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

	Capital and reserves attributable to equity holders of the Company									
	Share capital RMB million (Note 16)	Share premium RMB million (Note 16)	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
(Unaudited)										
For the twelve months ended 31 December 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	**–**	**–**	**–**	**–**	**–**	**–**	**4,491.8**	**4,491.8**	**(27.1)**	**4,464.7**
Other comprehensive loss:										
Exchange differences	**–**	**–**	**–**	**–**	**–**	**(39.5)**	**–**	**(39.5)**	**–**	**(39.5)**
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**–**	**(39.5)**	**4,491.8**	**4,452.3**	**(27.1)**	**4,425.2**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(1,349.4)**	**(1,349.4)**	**–**	**(1,349.4)**
Transfer to reserves	**–**	**–**	**–**	**172.5**	**–**	**–**	**(172.5)**	**–**	**–**	**–**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**
	–	**–**	**–**	**172.5**	**–**	**–**	**(1,521.9)**	**(1,349.4)**	**0.3**	**(1,349.1)**
As at 31 December 2013	**83.1**	**9,214.1**	**3.5**	**1,088.3**	**0.1**	**(106.7)**	**15,241.0**	**25,523.4**	**116.1**	**25,639.5**
(Audited)										
For the year ended 31 December 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 year	–	–	–	–	–	–	4,352.3	4,352.3	(27.2)	4,325.1
Other comprehensive loss:										
Exchange differences	–	–	–	–	–	(6.1)	–	(6.1)	–	(6.1)
Total comprehensive (loss)/ income for the year	–	–	–	–	–	(6.1)	4,352.3	4,346.2	(27.2)	4,319.0
Dividends	–	–	–	–	–	–	(1,349.4)	(1,349.4)	–	(1,349.4)
Transfer to reserves	–	–	–	350.2	–	–	(350.2)	–	—	–
	–	–	–	350.2	–	–	(1,699.6)	(1,349.4)	–	(1,349.4)
As at 31 December 2012	83.1	9,214.1	3.5	915.8	0.1	(67.2)	12,271.1	22,420.5	142.9	22,563.4

The notes on pages 34 to 52 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2013

	Twelve months ended 31 December	
	2013	2012
	(Unaudited)	(Audited)
	RMB million	*RMB million*
Cash flows from operating activities		
Net cash generated from operations	**6,405.1**	6,202.0
Income tax paid	**(1,316.4)**	(1,807.8)
Net cash generated from operating activities	**5,088.7**	4,394.2
Cash flows from investing activities		
Capital contribution and loan to a joint venture	**(13.0)**	(42.8)
Capital contribution to an associate	**(10.1)**	–
Acquisition of an associate	**(582.9)**	–
Acquisitions of subsidiaries, net of cash acquired	**(130.6)**	–
Prepayment for acquisitions of subsidiaries	**(665.0)**	(264.0)
Payments and deposits for purchase of property, plant and equipment, land use rights, investment properties and intangible assets	**(1,537.4)**	(1,520.4)
Proceeds from sale of property, plant and equipment	**10.3**	12.0
Placement of structured bank deposit products	**(12,345.2)**	(8,369.0)
Proceeds from maturity of structured bank deposit products	**11,768.0**	6,045.0
Decrease/(increase) in term deposits with initial terms of over three months	**551.0**	(3.3)
Net cash used in investing activities	**(2,954.9)**	(4,142.5)
Cash flows from financing activities		
Dividends paid	**(1,349.4)**	(1,349.4)
Interest received	**405.6**	255.7
Interest paid	**(34.8)**	(40.7)
Proceeds from borrowings	**2,131.2**	3,904.2
Repayments of borrowings	**(2,009.3)**	(3,621.5)
Net cash used in financing activities	**(856.7)**	(851.7)
Net increase/(decrease) in cash and cash equivalents	**1,277.1**	(600.0)
Cash and cash equivalents at beginning of the period/year	**2,286.9**	2,886.8
Effect on foreign exchange	**(8.9)**	0.1
Cash and cash equivalents at end of the period/year	**3,555.1**	2,286.9

The notes on pages 34 to 52 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 twelve months ended 31 December 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 22 February 2014.

Key events:

In March 2013, the Group completed the acquisition of the entire equity interest in Big Step Limited at a consideration of RMB880.0 million. Further details are given in Note 19.

In August 2013, the Group acquired approximately 31.96% equity interest in Baroque Japan Limited ("Baroque") at a consideration of US$93,963,022 (approximately RMB582.9 million). Further details are given in Note 12.

In September 2013, the Group announced its intention to acquire the entire equity interest in 龍浩天地股份有限公司 ("Longhao Company Limited" or "Longhao") for a consideration of not exceeding RMB700.0 million. Longhao is principally engaged in the sales and distribution of footwear products, leather bags and suitcases in the PRC and owns and operates self-owned brands including SKAP. The transaction is subject to fulfillment of certain condition precedents and is yet to be completed by the date of this report. The completion of the transaction is currently expected to take place in the first quarter of 2014.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Pursuant to a special resolution on 8 September 2013, the Board of Directors of the Company has resolved to change the financial year end date of the Company from 31 December to 28 February (or 29 February in a leap year) to coincide with the natural retail cycle in the footwear and sportswear retail businesses. Accordingly, the current interim financial period covers a twelve months period from 1 January 2013 to 31 December 2013 with the comparative financial period from 1 January 2012 to 31 December 2012.

This condensed consolidated interim financial information for the twelve months ended 31 December 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 the 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.

(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 10, IFRS 11 and IFRS 12 (amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance
IFRS 13	Fair value measurements
IAS 1 (amendment)	Presentation of financial statements
IAS 19 (amendment)	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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

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

IFRSs (amendment)	Improvements to IFRSs 2010-2012 cycle [(2)]
IFRSs (amendment)	Improvements to IFRSs 2011-2013 cycle [(2)]
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 12 and IAS 27 (2011) (amendment)	Investment entities [(1)]
IAS 19 (amendment)	Defined benefit plans: employee contribution [(2)]
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 March 2014.
(2) Effective for the Group for annual period beginning on 1 March 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.

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.

The 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 policies since 31 December 2012.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, share of profits of associates and a joint venture, 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 on mutually agreed terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the condensed consolidated income statement.

Assets of reportable segments exclude deferred income tax assets, interests in associates 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)

	Twelve months ended 31 December 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	**22,277.7**	**13,833.8**	**36,111.5**	**–**	**36,111.5**
Commissions from concessionaire sales	**–**	**137.6**	**137.6**	**–**	**137.6**
	22,277.7	**13,971.4**	**36,249.1**	**–**	**36,249.1**
Results of reportable segments	**5,101.7**	**670.1**	**5,771.8**	**–**	**5,771.8**
Reconciliation of results of reportable segments to profit for the period					
Results of reportable segments					**5,771.8**
Amortization of intangible assets					**(108.3)**
Unallocated income					**34.2**
Unallocated expenses					**(55.4)**
Operating profit					**5,642.3**
Finance income					**392.4**
Finance costs					**(34.8)**
Share of profits of associates and a joint venture					**4.7**
Profit before income tax					**6,004.6**
Income tax expense					**(1,539.9)**
Profit for the period					**4,464.7**
Other segment information					
Depreciation on property, plant and equipment	**576.9**	**344.8**	**921.7**	**31.4**	**953.1**
Amortization of land use rights	**5.2**	**5.6**	**10.8**	**13.8**	**24.6**
Depreciation on investment properties	**–**	**–**	**–**	**7.4**	**7.4**
Amortization of intangible assets	**81.3**	**27.0**	**108.3**	**–**	**108.3**
Write-off of property, plant and equipment	**10.7**	**21.4**	**32.1**	**–**	**32.1**
Loss on disposal of property, plant and equipment	**1.5**	**0.7**	**2.2**	**–**	**2.2**
Additions to non-current assets	**1,219.3**	**285.3**	**1,504.6**	**32.8**	**1,537.4**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

	As at 31 December 2013				
	Shoes and footwear products	Sportswear products	Total reportable segments	Unallocated	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment assets	**17,017.0**	**8,016.1**	**25,033.1**	**–**	**25,033.1**
Goodwill	**1,710.3**	**1,002.4**	**2,712.7**	**–**	**2,712.7**
Other intangible assets	**471.3**	**287.1**	**758.4**	**–**	**758.4**
Inter-segment balances elimination	**(5,136.1)**	**–**	**(5,136.1)**	**–**	**(5,136.1)**
	14,062.5	**9,305.6**	**23,368.1**	**–**	**23,368.1**
Investment properties	**–**	**–**	**–**	**326.8**	**326.8**
Terms deposits with initial terms of over three months	**–**	**–**	**–**	**81.7**	**81.7**
Structured bank deposit products	**–**	**–**	**–**	**6,278.2**	**6,278.2**
Deferred income tax assets	**–**	**–**	**–**	**445.3**	**445.3**
Interests in associates and a joint venture	**–**	**–**	**–**	**691.2**	**691.2**
Other corporate assets	**–**	**–**	**–**	**2,311.1**	**2,311.1**
Total assets per condensed consolidated balance sheet	**14,062.5**	**9,305.6**	**23,368.1**	**10,134.3**	**33,502.4**
Segment liabilities	**1,983.4**	**7,294.9**	**9,278.3**	**–**	**9,278.3**
Inter-segment balances elimination	**–**	**(5,136.1)**	**(5,136.1)**	**–**	**(5,136.1)**
	1,983.4	**2,158.8**	**4,142.2**	**–**	**4,142.2**
Short-term borrowings	**–**	**–**	**–**	**2,244.3**	**2,244.3**
Current income tax liabilities	**–**	**–**	**–**	**1,311.4**	**1,311.4**
Deferred income tax liabilities	**–**	**–**	**–**	**148.7**	**148.7**
Other corporate liabilities	**–**	**–**	**–**	**16.3**	**16.3**
Total liabilities per condensed consolidated balance sheet	**1,983.4**	**2,158.8**	**4,142.2**	**3,720.7**	**7,862.9**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

	Year ended 31 December 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	21,045.3	11,739.4	32,784.7	–	32,784.7
Commissions from concessionaire sales	–	74.3	74.3	–	74.3
	21,045.3	11,813.7	32,859.0	–	32,859.0
Results of reportable segments	5,008.8	480.7	5,489.5	–	5,489.5
Reconciliation of results of reportable segments to profit for the year					
Results of reportable segments					5,489.5
Amortization of intangible assets					(70.0)
Unallocated income					19.4
Unallocated expenses					(36.0)
Operating profit					5,402.9
Finance income					309.4
Finance costs					(40.7)
Share of profit of an associate					4.9
Profit before income tax					5,676.5
Income tax expense					(1,351.4)
Profit for the year					4,325.1
Other segment information					
Depreciation on property, plant and equipment	500.9	298.2	799.1	16.8	815.9
Amortization of land use rights	11.2	8.4	19.6	–	19.6
Depreciation on investment properties	–	–	–	0.7	0.7
Amortization of intangible assets	69.4	0.6	70.0	–	70.0
Write-off of property, plant and equipment	3.4	2.5	5.9	–	5.9
Loss/(gain) on disposal of property, plant and equipment	7.7	(0.3)	7.4	–	7.4
(Reversal of impairment)/ impairment losses of inventories	(13.0)	20.0	7.0	–	7.0
Additions to non-current assets	970.3	350.4	1,320.7	199.7	1,520.4

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:

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Revenue		
The PRC	**34,834.5**	31,212.3
Hong Kong and Macau	**1,108.4**	1,217.6
Other locations	**306.2**	429.1
	36,249.1	32,859.0

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 31 December 2013				As at 31 December 2012		
	The PRC	**Hong Kong and Macau**	**Other locations**	**Total**	The PRC	Hong Kong and Macau	Total
	RMB million	***RMB million***	***RMB million***	***RMB million***	*RMB million*	*RMB million*	*RMB million*
Non-current assets							
Property, plant and equipment	**3,337.4**	**323.0**	**–**	**3,660.4**	3,000.4	346.8	3,347.2
Land use rights	**1,555.4**	**–**	**–**	**1,555.4**	1,290.5	–	1,290.5
Investment properties	**280.1**	**46.7**	**–**	**326.8**	286.1	49.3	335.4
Intangible assets	**3,399.3**	**71.8**	**–**	**3,471.1**	2,659.8	71.8	2,731.6
Long-term deposits, prepayments and other non-current assets	**894.8**	**41.7**	**35.7**	**972.2**	557.2	46.3	603.5
Interests in associates and a joint venture	**120.8**	**–**	**570.4**	**691.2**	109.3	–	109.3

5 OTHER INCOME

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Rental income	**34.2**	19.4
Government incentives *(note)*	**342.7**	253.5
	376.9	272.9

Note:

Government incentives comprised of the subsidies received from various local governments in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 OPERATING PROFIT

Operating profit is stated after charging the following:

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Costs of inventories recognized as expenses included in costs of sales	**15,387.6**	14,258.1
Depreciation on property, plant and equipment	**953.1**	815.9
Depreciation on investment properties	**7.4**	0.7
Amortization of intangible assets	**108.3**	70.0
Amortization of land use rights	**24.6**	19.6
Operating lease rentals (mainly including concessionaire fees) in respect of land and buildings	**7,875.9**	6,924.6
Staff costs (including directors' emoluments)	**5,603.9**	4,767.2
Loss on disposal of property, plant and equipment	**2.2**	7.4
Write-off of property, plant and equipment	**32.1**	5.9
Impairment of inventories	**–**	7.0

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

7 FINANCE INCOME, NET

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Interest income on bank deposits	**59.3**	105.2
Interest income from structured bank deposit products	**300.5**	197.6
Net foreign exchange gains	**32.6**	6.6
	392.4	309.4
Interest expense on short-term bank borrowings, wholly repayable within 5 years	**(34.8)**	(40.7)
	(34.8)	(40.7)
Finance income, net	**357.6**	268.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 INCOME TAX EXPENSE

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Current income tax		
– PRC corporate income tax	**1,554.1**	1,526.1
– Hong Kong profits tax	**17.3**	22.6
– Macau income tax	**10.0**	11.0
(Over)/under-provision in prior years		
– PRC corporate income tax	**(36.5)**	(30.6)
– Hong Kong profits tax	**(1.2)**	(10.5)
– Macau income tax	**0.1**	0.2
Deferred income tax	**(3.9)**	(167.4)
	1,539.9	1,351.4

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 (Year ended 31 December 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% (Year ended 31 December 2012: 16.5%) and at the tax rates prevailing in Macau respectively on the estimated assessable profit for the period.

9 EARNINGS PER SHARE

Basic

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

	Twelve months ended 31 December	
	2013	2012
Profit for the period/year attributable to equity holders of the Company *(RMB million)*	**4,491.8**	4,352.3
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)*	**53.26**	51.60

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 period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 DIVIDENDS

(a) At a meeting held on 22 February 2014, the directors did not declare a second interim dividend for the fourteen months ending 28 February 2014.

(b) 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 fourteen months ending 28 February 2014, which was paid during the period and has been reflected as an appropriation of retained earnings for the fourteen months ending 28 February 2014.

(c) 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 fourteen months ending 28 February 2014.

(d) 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.

11 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 19)*	**65.5**	**–**	**–**	**517.1**	**249.0**	**766.1**	**831.6**
Other acquisitions	**8.4**	**–**	**–**	**–**	**62.3**	**62.3**	**70.7**
Additions	**1,245.7**	**289.5**	**–**	**–**	**19.4**	**19.4**	**1,554.6**
Depreciation/amortization	**(953.1)**	**(24.6)**	**(7.4)**	**–**	**(108.3)**	**(108.3)**	**(1,093.4)**
Disposals/write-off	**(44.6)**	**–**	**–**	**–**	**–**	**–**	**(44.6)**
Exchange differences	**(8.7)**	**–**	**(1.2)**	**–**	**–**	**–**	**(9.9)**
Net book value as at 31 December 2013	**3,660.4**	**1,555.4**	**326.8**	**2,712.7**	**758.4**	**3,471.1**	**9,013.7**
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	1,336.7	492.4	275.8	–	11.3	11.3	2,116.2
Transfer from non-current assets held for sale	–	–	49.3	–	–	–	49.3
Depreciation/amortization	(815.9)	(19.6)	(0.7)	–	(70.0)	(70.0)	(906.2)
Disposals/write-off	(25.3)	–	–	–	–	–	(25.3)
Exchange differences	0.1	–	–	–	–	–	0.1
Net book value as at 31 December 2012	3,347.2	1,290.5	335.4	2,195.6	536.0	2,731.6	7,704.7

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 INTERESTS IN ASSOCIATES AND A JOINT VENTURE

The amounts recognized in the balance sheet are as follows:

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
Associates	**633.1**	50.3
Joint venture	**58.1**	59.0
	691.2	109.3

	2013	2012
	RMB million	*RMB million*
As at 1 January	**109.3**	61.6
Capital contribution during the period/year	**23.1**	37.8
Acquisition of an associate *(note)*	**582.9**	–
Share of profits of associates and a joint venture	**4.7**	4.9
Share of exchange reserve of an associate	**(28.8)**	–
	691.2	104.3
Loan to a joint venture	**–**	5.0
As at 31 December	**691.2**	109.3

Note:

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, 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 RMB582.9 million) from CLSA ("Investment"). The Investment has been completed on 22 August 2013.

13 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 31 December 2013 was 5.55% (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 31 December 2013 was 3.30% (2012: 3.95%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE RECEIVABLES

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while the sales to corporate customers are generally on credit terms ranging from 0 to 30 days. As at 31 December 2013, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
0 to 30 days	**3,262.3**	3,067.7
31 to 60 days	**27.4**	30.3
61 to 90 days	**11.1**	26.5
Over 90 days	**27.4**	9.8
	3,328.2	3,134.3

The carrying amounts of trade receivables approximate their fair values.

15 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
Cash and bank balances	**2,785.0**	1,536.7
Term deposits with initial terms of less than three months	**770.1**	750.2
	3,555.1	2,286.9
Denominated in:		
RMB	**3,096.0**	2,014.1
HK$	**450.4**	179.4
Other currencies	**8.7**	93.4
	3,555.1	2,286.9

The weighted average effective interest rate of the Group's term deposits with initial terms of less than three months as at 31 December 2013 was 1.74% (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 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 31 December 2013	30,000,000,000	296.0
Issued and fully paid:		
As at 1 January 2012, 31 December 2012 and 31 December 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.

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 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 TRADE PAYABLES

The normal credit period for trade payables generally ranges from 0 to 60 days. As at 31 December 2013, the aging analysis of trade payables is as follows:

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
0 to 30 days	**1,730.4**	948.0
31 to 60 days	**223.6**	190.4
Over 60 days	**28.4**	14.9
	1,982.4	1,153.3

The carrying amounts of trade payables approximate their fair values.

18 SHORT-TERM BORROWINGS

As at 31 December 2013, the Group's bank borrowings are unsecured and carry interest at floating rates. The weighted average effective interest rate is 1.47% (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.

19 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

19 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 acquisition.

	RMB million
Cash settled up to 31 December 2013	**386.1**
Consideration payable as at 31 December 2013	**493.9**
Total cash consideration	**880.0**

Fair value of identifiable assets acquired and liabilities assumed

	RMB million
Property, plant and equipment *(Note 11)*	**65.5**
Trade and other receivables	**327.2**
Inventories	**457.4**
Other intangible assets *(Note 11)*	**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 11)*	**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 controls 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 acquisition were relatively insignificant to the Group. The Group's revenue and results for the period would not be materially different if the acquisition has occurred on 1 January 2013.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 CAPITAL COMMITMENTS

As at 31 December 2013, the Group had the following capital commitments not provided for:

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
Purchase of land use rights in the PRC:		
– Contracted but not provided for	**–**	152.4
Construction commitments:		
– Contracted but not provided for	**521.6**	419.7
Acquisition of subsidiaries:		
– Contracted but not provided for	**–**	616.0

21 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/year

	Twelve months ended 31 December	
	2013	2012
	RMB million	*RMB million*
Transactions with an associate *(note a)*		
– Sales of goods	**9.8**	3.2
– Processing fee income	**4.8**	75.3
– Processing fee charges	**4.9**	2.9
– Purchases of goods	**138.3**	81.1
Key management compensation		
– Salaries, bonuses and other welfare *(note b)*	**25.0**	26.7

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 RELATED PARTY TRANSACTIONS (Continued)

Period/Year-end balances

	As at 31 December	
	2013	2012
	RMB million	*RMB million*
Receivables from/(payable to) an associate		
– Trade receivable *(note c)*	**5.2**	0.6
– Other receivable *(note d)*	**19.5**	32.4
– Trade payable *(note c)*	**(41.1)**	(11.4)
Receivable from a joint venture		
– Other receivable *(note d)*	**42.0**	5.0

Notes:

(a) Processing fee income and purchases of goods from the associate, and sales of goods and processing fee charged 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.

(e) During the period, the Group acquired an apparel retail business in the PRC from an associate at a cash consideration of RMB70.0 million, which was determined based on mutually agreed terms and conditions.

GENERAL INFORMATION

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

As at 31 December 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 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 16 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 31 December 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	597,043,621 (L)	7.08%
	Beneficial owner	6,763,770 (S)	0.08%
	Custodian corporation/ Approved lending agent	404,845,776 (P)	4.80%

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 36,901,445 Shares (long position) and 6,763,770 Shares (short position) were held in its capacity as beneficial owner, 155,296,400 Shares (long position) were held in its capacity as investment manager and 404,845,776 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 or underlying shares of the Company as at 31 December 2013.

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

During the twelve months ended 31 December 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 Rules Governing the Listing Rules during the twelve months ended 31 December 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") of the Company 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.

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 second interim financial information for the twelve months ended 31 December 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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