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361 Degrees International Limited
361度國際有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1361)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Turnover and gross profit for the year ended 31 December 2012 reached RMB4,950.6 million and RMB1,972.3 million respectively.
- Profit attributable to equity shareholders of the Company for the year ended 31 December 2012 was RMB707.2 million.
- Basic earnings per share for the year ended 31 December 2012 was RMB34.2 cents per share.
- The Board proposed to declare a final dividend of RMB7.0 cents (equivalent to HK8.7 cents) per share for the year ended 31 December 2012.
- As at 31 December 2012, the number of retail outlets was 8,082, with about 72% of the stores located in Tier 3 and smaller cities.

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Company changed its financial year end date from 30 June to 31 December in the last financial period. Accordingly, the comparative figures (which cover a period of six months from 1 July 2011 to 31 December 2011) for the consolidated income statement, the consolidated statement of comprehensive income and related notes are therefore not entirely comparable with those of the current year. The consolidated income statements of the Group for the years ended 31 December 2012 and 2011 are also presented as supplementary financial information in this announcement for comparison purpose.

The board (the "Board") of directors (the "Directors") of 361 Degrees International Limited ("the Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2012, with the comparative figures for the preceding financial period six months ended 31 December 2011, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

	Note	**Year ended 31 December 2012** ***RMB'000***	Six months ended 31 December 2011 *RMB'000*
Turnover	*3*	**4,950,578**	2,382,801
Cost of sales		**(2,978,266)**	(1,330,103)
Gross profit		**1,972,312**	1,052,698
Other revenue	*4*	**81,045**	15,631
Other net gain	*4*	**2,894**	1,738
Selling and distribution expenses		**(889,067)**	(477,768)
Administrative expenses		**(302,771)**	(152,311)
Profit from operations		**864,413**	439,988
Net change in fair value of derivatives embedded to convertible bonds	*12*	**32,936**	–
Finance costs	*5(a)*	**(66,975)**	(543)
Profit before taxation	*5*	**830,374**	439,445
Income tax	*6*	**(115,145)**	(78,216)
Profit for the year/period		**715,229**	361,229
Attributable to:			
Equity shareholders of the Company		**707,208**	359,692
Non-controlling interests		**8,021**	1,537
Profit for the year/period		**715,229**	361,229
Earnings per share	*8*		
Basic (cents)		**34.2**	17.4
Diluted (cents)		**31.8**	17.4

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year/period are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Profit for the year/period	**715,229**	361,229
Other comprehensive income for the year/period		
Exchange differences on translation of financial statements	**3,226**	(7,564)
Total comprehensive income for the year/period	**718,455**	353,665
Attributable to:		
Equity shareholders of the Company	**710,434**	352,128
Non-controlling interests	**8,021**	1,537
Total comprehensive income for the year/period	**718,455**	353,665

CONSOLIDATED BALANCE SHEET

at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Fixed assets			
– Property, plant and equipment		**958,049**	892,263
– Interests in leasehold land held for own use under operating leases		**99,754**	99,926
		1,057,803	992,189
Other financial asset		**17,550**	17,550
Deposits and prepayments		**142,140**	141,887
Deferred tax assets		**61,730**	29,546
		1,279,223	1,181,172
Current assets			
Inventories	*10*	**460,715**	451,264
Trade debtors	*9*	**1,928,040**	2,110,008
Bills receivable	*9*	**183,470**	244,800
Deposits, prepayments and other receivables	*9*	**567,223**	794,684
Pledged bank deposits		**95,730**	127,685
Deposits with banks		**590,791**	211,902
Cash and cash equivalents		**2,107,018**	459,762
		5,932,987	4,400,105
Current liabilities			
Trade and other payables	*11*	**1,591,474**	1,023,983
Bank loans		**42,315**	28,781
Other loan		**–**	150,000
Current taxation		**92,379**	72,181
		1,726,168	1,274,945
Net current assets		**4,206,819**	3,125,160

CONSOLIDATED BALANCE SHEET
at 31 December 2012 (continued)

	Note	2012 RMB'000	2011 RMB'000
Total assets less current liabilities		**5,486,042**	4,306,332
Non-current liabilities			
Deferred tax liabilities		**2,517**	5,817
Convertible bonds	*12*	**753,062**	–
		755,579	5,817
NET ASSETS		**4,730,463**	4,300,515
CAPITAL AND RESERVES			
Share capital		**182,298**	182,298
Reserves		**4,495,762**	4,073,835
Total equity attributable to equity shareholders of the Company		**4,678,060**	4,256,133
Non-controlling interests		**52,403**	44,382
TOTAL EQUITY		**4,730,463**	4,300,515

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the same accounting policies adopted in the 31 December 2011 annual financial statements, except for the changes in accounting policies set out in note 2. The financial statements have been reviewed by the Company's audit committee. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2012, but is derived from those financial statements.

2 CHANGE IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued several amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group and the Company. Of these, Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfer of financial assets* is relevant to the Group's financial statements.

The amendments to HKFRS 7 require certain disclosures to be included in the financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and trading of sporting goods, including footwear, apparel and accessories in the PRC. Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes, which are analysed as follows:

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Footwear	**2,321,681**	1,225,819
Apparel	**2,532,908**	1,105,888
Accessories	**95,989**	51,094
	4,950,578	2,382,801

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenues for each of the year ended 31 December 2012 and six months ended 31 December 2011. During the year ended 31 December 2012, revenues from sales of footwear, apparel and accessories to each of the two customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately RMB843 million (six months ended 31 December 2011: RMB342 million) and RMB514 million (six months ended 31 December 2011: RMB284 million) respectively. These sales arose in both reportable segments *(see note 3(b))*.

Further details regarding the Group's principal activities are disclosed below:

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- *361º* Products – Adults: this segment derives turnover from manufacturing and trading of adults sporting goods.

- *361º* Products – Kids: this segment derives turnover from trading of kids sporting goods.

The Group's revenue and results were derived from sales in the PRC and the principal assets employed by the Group were located in the PRC during the year. Accordingly, no analysis by geographical segments has been provided for the year. In addition, no information on segment assets and liabilities was prepared for review by the Group's most senior executive management for the year for the purpose of resource allocation and performance assessment.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and expenses incurred by these segments. The measure used for reporting segment profit is gross profit.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2012 and six months ended 31 December 2011 is set out below.

	***361º* Products – Adults**		***361º* Products – Kids**		**Total**	
	Year ended 31 December 2012	Six months ended 31 December 2011	**Year ended 31 December 2012**	Six months ended 31 December 2011	**Year ended 31 December 2012**	Six months ended 31 December 2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Reportable segment revenue	**4,580,500**	2,309,995	**370,078**	72,806	**4,950,578**	2,382,801
Cost of sales	**(2,751,863)**	(1,285,513)	**(226,403)**	(44,590)	**(2,978,266)**	(1,330,103)
Reportable segment profit (gross profit)	**1,828,637**	1,024,482	**143,675**	28,216	**1,972,312**	1,052,698

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenues and profit or loss

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Revenue		
Reportable segment revenue and consolidated turnover *(note 3(a))*	**4,950,578**	2,382,801
Profit		
Reportable segment profit	**1,972,312**	1,052,698
Other revenue	**81,045**	15,631
Other net gain	**2,894**	1,738
Selling and distribution expenses	**(889,067)**	(477,768)
Administrative expenses	**(302,771)**	(152,311)
Net change in fair value of derivative embedded to convertible bonds	**32,936**	–
Finance costs	**(66,975)**	(543)
Consolidated profit before taxation	**830,374**	439,445

4 OTHER REVENUE AND NET GAIN

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Other revenue		
Bank interest income	**23,535**	12,267
Government grants	**40,028**	1,140
Others	**17,482**	2,224
	81,045	15,631
Other net gain		
Net loss on disposal of fixed assets	**(307)**	(54)
Net foreign exchange gain	**3,201**	1,792
	2,894	1,738

Government grants of RMB40,028,000 (six months ended 31 December 2011: RMB1,140,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December 2012 RMB'000	Six months ended 31 December 2011 RMB'000
(a) Finance costs		
Interest on bank and other borrowings wholly repayable within five years	**10,424**	543
Finance charges on convertible bonds *(note 12)*	**56,551**	–
	66,975	543
(b) Staff costs		
Contributions to defined contribution retirement plans	**17,296**	8,812
Equity-settled share-based payment expenses	**957**	964
Salaries, wages and other benefits	**324,893**	205,869
	343,146	215,645
(c) Other items		
Auditors' remuneration	**3,637**	2,087
Amortisation of land lease premium	**1,996**	1,102
Depreciation	**77,998**	36,397
Operating lease charges in respect of properties	**14,736**	4,398
Research and development costs *	**86,560**	35,767
Cost of inventories **	**2,978,266**	1,330,103

* Research and development costs include RMB31,882,000 (six months ended 31 December 2011: RMB15,924,000) relating to staff costs of employees in the research and development department, which amount is also included in the total staff costs as disclosed in note 5(b).

** Cost of inventories include RMB228,589,000 (six months ended 31 December 2011: RMB161,060,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Current tax – PRC income tax		
Provision for the year/period	**147,656**	93,807
Under provision in respect of prior years	**2,973**	–
	150,629	93,807
Deferred tax		
Origination and reversal of temporary differences	**(35,484)**	(15,591)
	115,145	78,216

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision has been made for Hong Kong Profits Tax as the Group does not earn any income subject to Hong Kong Profits Tax during the year/period.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on a statutory rate of 25% of the assessable profits of the companies comprising the Group. During the year/period, a PRC subsidiary is subject to tax at 50% of the standard tax rate under the relevant tax rules and regulations.

7 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year/period

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Interim dividend declared and paid of RMB7.0 cents per ordinary share (2011: RMBnil per ordinary share)	**144,732**	–
Final dividend proposed after the balance sheet date of RMB7.0 cents per ordinary share (2011: RMB7.0 cents per ordinary share)	**144,732**	144,732
	289,464	144,732

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial period/year, approved and paid during the year/period

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Final dividend in respect of the previous financial period/year, approved and paid during the year/period, of RMB7.0 cents per ordinary share (2011: RMB16.1 cents per ordinary share)	**144,732**	332,884

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB707,208,000 (six months ended 31 December 2011: RMB359,692,000) and the weighted average number of shares in issue during the year of 2,068 million (six months ended 31 December 2011: 2,068 million).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB730,823,000 (six months ended 31 December 2011: RMB359,692,000) and the weighted average number of ordinary shares of 2,295 million (six months ended 31 December 2011: 2,071 million) adjusted for the potential dilutive effect caused by the conversion of convertible bonds *(note 12)* and share options granted under Pre-IPO share option scheme, calculated as follows:

(i) Profits attributable to ordinary equity shareholders of the Company (diluted)

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Profit attributable to ordinary equity shareholders	**707,208**	359,692
After tax effect of effective interest on the liability component of convertible bonds *(note 12)*	**56,551**	–
After tax effect of net gain recognised on the derivative components of convertible bonds *(note 12)*	**(32,936)**	–
Profit attributable to ordinary equity shareholders (diluted)	**730,823**	359,692

(ii) Weighted average number of ordinary shares (diluted)

	Year ended 31 December 2012 *'000*	Six months ended 31 December 2011 *'000*
Weighted average number of ordinary shares at 31 December	**2,067,602**	2,067,602
Effect of conversion of convertible bonds *(note 12)*	**227,847**	–
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	3,706
Weighted average number of ordinary shares (diluted) at 31 December	**2,295,449**	2,071,308

9 TRADE AND OTHER RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade debtors		
Trade debtors	**1,967,560**	2,149,528
Less: Allowance for doubtful debts *(note 9(b))*	**(39,520)**	(39,520)
	1,928,040	2,110,008
Bills receivable	**183,470**	244,800
Deposits, prepayments and other receivables		
Deposits	**3,586**	1,790
Prepayments	**495,295**	719,915
Other receivables	**51,884**	72,979
Derivative financial instruments *(note 12)*	**16,458**	–
	567,223	794,684

Included in prepayments are amounts prepaid to suppliers of RMB388,906,000 (2011: RMB610,515,000).

All of the trade debtors and bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered within one year, except that the Group's current deposits of RMB3,586,000 (2011: RMB1,790,000) are expected to be recovered or recognised as expenses after more than one year.

9 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

Trade debtors and bills receivable (net of allowance for doubtful debts) have the following ageing analysis, based on the invoice date, as of the balance sheet date:

	2012	2011
	RMB'000	*RMB'000*
Within 90 days	**1,088,602**	1,663,756
Over 90 days but within 180 days	**1,022,723**	609,612
Over 180 days but within 365 days	**185**	81,440
	2,111,510	2,354,808

Credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors and bills receivable are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 1 year from the date of billing are requested to settle all outstanding balances before any further credit is granted.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly. There are no movements in the allowance for doubtful debts during the year ended 31 December 2012 and six months ended 31 December 2011.

At 31 December 2012, the Group's trade debtors of RMB39,520,000 (2011: RMB39,520,000) were individually determined to be impaired. The individually impaired receivables related to a number of customers and management assessed that the receivables were not recoverable. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

9 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,961,452**	1,941,518
Within 30 days past due	**75,930**	245,302
Over 30 days but within 90 days past due	**70,414**	167,988
Over 90 days but within 180 days past due	**3,714**	–
Amount past due	**150,058**	413,290
	2,111,510	2,354,808

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	2012	2011
	RMB'000	*RMB'000*
Raw materials	**28,077**	31,352
Work in progress	**116,075**	60,064
Finished goods	**316,563**	359,848
	460,715	451,264

10 INVENTORIES *(continued)*

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December 2012 *RMB'000*	Six months ended 31 December 2011 *RMB'000*
Carrying amount of inventories sold	**2,978,266**	1,330,103

11 TRADE AND OTHER PAYABLES

	2012 *RMB'000*	2011 *RMB'000*
Trade creditors	**548,936**	315,539
Bills payable	**491,140**	474,810
Receipts in advance	**43,217**	447
Other payables and accruals	**335,205**	233,187
Derivative financial instruments *(note 12)*	**172,976**	–
	1,591,474	1,023,983

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

Bills payable as at 31 December 2012 and 2011 were secured by pledged bank deposits.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	2012 *RMB'000*	2011 *RMB'000*
Due within 1 month or on demand	**420,644**	190,690
Due after 1 month but within 3 months	**328,764**	357,324
Due after 3 months but within 6 months	**290,668**	242,335
	1,040,076	790,349

12 CONVERTIBLE BONDS

On 3 April 2012, the Company issued unsecured convertible bonds with principal amount of US$150,000,000 due 2017 (the "convertible bonds"). The convertible bonds are interest-bearing at 4.5% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds is 3 April 2017. The convertible bonds can be converted to shares of the Company at HK$3.81 per share, subject to anti-dilutive and dividend protection adjustments, from 14 May 2012 to 3 April 2017.

In addition to the above, the Company may early redeem all the convertible bonds from 3 April 2015 to 3 April 2017 plus any accrued but unpaid interest thereon the redemption date, provided that the closing price of the shares of the Company for each of the thirty consecutive trading days, the last of which occurs within the five trading days prior to the date upon which the redemption notice is given by the Company, is at least 130% of the prevailing conversion price.

The holders of the convertible bonds can require the Company to early redeem all or partial of the convertible bonds on or about 3 April 2015 plus any accrued but unpaid interest thereon the redemption date.

The redemption call and redemption put and conversion options are separately accounted for at fair value at each balance sheet date as derivative financial instruments.

As a result of the declaration of final dividend for the six months ended 31 December 2011 and interim dividend for the six months ended 30 June 2012, the conversion price of the convertible bonds was adjusted to HK$3.53 per share with effective from 11 September 2012.

	Liability component of convertible bonds	**Redemption call option**	**Redemption put option**	**Conversion option**	**Total**
	(note 12(a))	*(note 9 and note 12(b))*	*(note 11 and note 12(c))*	*(note 11 and note 12(d))*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Issuance of the convertible bonds	753,885	(22,450)	40,473	173,059	944,967
Transaction costs *(note 12(e))*	(17,626)	–	–	–	(17,626)
Finance charges amortised during the year *(note 5(a))*	56,551	–	–	–	56,551
Interest paid and payable	(31,697)	–	–	–	(31,697)
Change in fair value	–	5,824	12,087	(50,847)	(32,936)
Exchange adjustments	(8,051)	168	(568)	(1,228)	(9,679)
At 31 December 2012	753,062	(16,458)	51,992	120,984	909,580

12 CONVERTIBLE BONDS *(continued)*

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 10.2% per annum. At 31 December 2012, the liability component of the convertible bonds was repayable after two years but within five years.

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other receivables" *(note 9).*

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other payables" *(note 11)*.

(d) Conversion option represents the fair value of the options of the holders of the convertible bonds to convert the convertible bonds into shares and is recorded as derivative financial instruments under "Trade and other payables" *(note 11)*.

(e) The transaction costs for the issue of the convertible bonds amounted to RMB22,073,000. An amount of RMB17,626,000 was offset with the liability component of the convertible bonds and the remaining amount of transaction costs is charged to the income statement.

SUPPLEMENTARY FINANCIAL INFORMATION – UNAUDITED

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2012 and 2011

	2012 *RMB'000*	2011 *RMB'000*
Turnover	**4,950,578**	5,568,678
Cost of sales	**(2,978,266)**	(3,205,868)
Gross profit	**1,972,312**	2,362,810
Other revenue	**81,045**	72,230
Other net gain	**2,894**	3,437
Selling and distribution expenses	**(889,067)**	(753,890)
Administrative expenses	**(302,771)**	(299,563)
Profit from operations	**864,413**	1,385,024
Net change in fair value of derivatives embedded to convertible bonds	**32,936**	–
Finance costs	**(66,975)**	(833)
Profit before taxation	**830,374**	1,384,191
Income tax	**(115,145)**	(248,333)
Profit for the year	**715,229**	1,135,858
Attributable to:		
Equity shareholders of the Company	**707,208**	1,133,050
Non-controlling interests	**8,021**	2,808
Profit for the year	**715,229**	1,135,858
Earnings per share		
Basic (cents)	**34.2**	54.8
Diluted (cents)	**31.8**	54.6

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

China's economic growth experienced a slow down in the first three quarters of 2012 but rebounded in the fourth quarter. The deceleration in the domestic economic growth was partly due to the impact of the Euro-zone sovereign debt crisis on the country's export industries, which engaged a considerable proportion of the country's labour and thus indirectly affected the domestic demand. In the financial year under review, China's domestic market for sportswear was intensely competitive and difficult because of oversupply, which drove down the products' average selling prices and gross profit margins. The sportswear industry was faced with high inventory following a period of rapid, volume-driven growth, and had to take measures to clear the market glut. Such measures included retailing goods at substantial discounts, cancelling some of the orders placed at trade fairs, curtailing the expansion of the retail outlets and increasing the marketing efforts. The sportswear companies were also developing new products and adjusting product mix to meet the changing needs of the market. As a result, the Group's profit attributable to its shareholders decreased by 37.6% in 2012 when compared with the year ended 31 December 2011.

To cope with the challenges and to consolidate its positions in the high-end markets of China's first and second-tier cities and its principal mid-priced and low-end markets of the country's third-tier and smaller cities, the Group continued to step up its effort in product research and development, brand building, marketing and controlling inventory in the sales channel. The Group's farsighted decision to launch *361°* Kids, the Group's children's wear product line, in 2010 to diversify its product portfolio, broaden its income source and bring huge value to the Group during the most difficult year of its history. The fledgling *361°* Kids product line grew rapidly as a proportion of the Group's turnover and in terms of sales value. The Board believe this product line will become a growth driver in the future. In addition, the Group also worked to control the inventory level at the sales channel by agreeing with its distributors to cancel some of the orders placed at the trade fairs for the not yet produced goods. It also helped retailers raise their store efficiency by providing them with training and rack subsidies to improve the presentation of goods and the shopping environment as well as by promoting the ePOS (electronic point-of-sale system).

BUSINESS REVIEW

Sales and distribution network

The Group and its distributors worked together to cope with the challenges posted by oversupply on the sportswear market, and continued with its exclusive distributorship business model, which brought such benefits as economies of scale, more cost-effective marketing and promotional campaigns and better inventory control.

The measures taken included controlling the inventory at the sales channel and enhancing the sales and marketing effort at the retail outlets. Specifically, the Group and its distributors agreed on cancelling some of the orders placed at the trade fairs for goods not yet produced. Every players in the industry took a prudent approach to placing and receiving the orders for sportswear. This was reflected by the year-on-year declines of 23% in the orders placed at the 2013 Spring/Summer trade fair.

The Group also assisted the retailers in raising their store efficiency by providing them with training and rack subsidies of approximately RMB203.0 million to improve the presentation of goods and renovate the shopping environment. For instance, pop-up displays featuring a monthly theme of different sports and related sports stars were put up in the retail stores to showcase the latest products. The move was aimed at raising awareness of the brand and boosting sales.

In the financial year under review, the number of exclusive distributors was 31. The distributors themselves oversaw 3,336 dealers, who in turn owned and managed a total of 8,082 retail outlets for adults' sportswear as at 31 December 2012, representing a net increase of 217 from 7,865 a year earlier. About 72% of the stores was located in the third tier and smaller cities where the Group had established brand influence. The majority of the stores remained in northern China (3,090 stores) and eastern China (2,081 stores). Of the total number of retail point of sales, 5,555 were standalone stores as at the end of December 2012, accounting for approximately 68.7% of the total retail sales outlets for adults' sportswear. The average size of a typical store increased to approximately 100.7 square metres (sq.m.).

	As at 31 December 2012		As at 31 December 2011		
	Number of *361°* authorized retail outlets	**% of total number of *361°* authorized retail outlets**	Number of *361°* authorized retail outlets	% of total number of *361°* authorized retail outlets	Change (%)
Eastern region(1)	**2,081**	**25.8**	2,046	26.0	1.7
Southern region(2)	**1,344**	**16.6**	1,265	16.1	6.2
Western region(3)	**1,567**	**19.4**	1,505	19.1	4.1
Northern region(4)	**3,090**	**38.2**	3,049	38.8	1.3
Total	**8,082**	**100**	7,865	100	2.8

Notes:

(1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.

(2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.

(3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.

(4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

As at 31 December 2012, there were four *361°* Towns operated by authorized retailers in Zhengzhou, Jinan, Wuhan and Harbin. These megastores, averaging 1,100 sq.m. in size, are designed to bolster the brand image of *361°*. They complemented the Group's wide distribution network by both strengthening brand-building and unifying brand image.

In view of the sportswear market glut which followed some years of the industry's rapid and volume-driven growth, the management of the Group deemed it appropriate to be prudent with the expansion of the points of sales for its adults' sportswear business, and decided not to set any target for the number of new stores to be added in 2013. Instead, the Group will focus on product development and marketing to reinforce its market position.

Amid market consolidation, the Group's same-store sales growth was decelerating throughout the first three quarters of 2012 (6.9%, 5.1% and 4.1%, respectively) and rebounded slightly to 4.3% in the fourth quarter. When compared with the same-store sales growth in 2011, that of 2012 was considerably smaller.

The channel inventories at the retail level were ranging between 4.1 to 4.3 times in 2012. By the end of the fourth quarter of 2012, the inventory level at the sales channel was 4.05 times the average monthly sales in that quarter, showing an improvement when compared with the 4.1 times at the end of third quarter of 2012 and the 4.2 times at end of the fourth quarter of 2011.

The average selling price of the adults' sports apparel decreased to RMB79.4 per item in 2012 from RMB94.7 in 2011 (six months ended 31 December 2011: RMB117.8), while the average selling price of the adults' footwear rose to RMB106.3 per item in 2012 from RMB102.6 in 2011 (six months ended 31 December 2011: RMB116.9).

***361°* Kids**

The Group's *361°* Kids product line was a bright spot in its performance for the year under review. The fledgling business of children's outfit, footwear and accessories grew rapidly as a proportion of the Group's turnover and in terms of sales value as it began to achieve better economies of scale and its products gained traction in the domestic market. Its revenue surged by 97.7% to RMB370.1 million, accounting for 7.5% of the Group's turnover (year ended 31 December 2011: RMB187.1 million and six months ended 31 December 2011: RMB72.8 million). The growth was stimulated by the Group's success in obtaining the licensing rights to use the American comic icons of Batman and Spider Man respectively from Warner Bros. Consumer Products Inc. and Marvel Characters Inc. to design, produce and sell children's wear and accessories. In July, 2012, the Group struck another deal with Warner Bros. Consumer Products Inc to obtain a franchise to use the icon of Superman of the upcoming American superhero film *Man of Steel* in its kids' wear. The launch of the products with the comic icons into the market was an instant success, enhancing awareness of the *361°* Kids brand. The average selling price of a kids' product rose to RMB57.3 in 2012 from RMB54.0 and RMB45.6 for the six months ended 31 December 2011 and the year ended 31 December 2011, respectively.

The *361°* Kids points of sales totaled 1,590 as at 31 December 2012, representing a net addition of 433 points of sales from 31 December 2011. Of the 1,590 points of sales, 553 were counters at the department stores or hypermarket, while 735 were standalone stores, and 302 were booths at the adults' sportswear stores.

Operated separately from the Group's adults' sportswear business, *361°* Kids does its design, procurement and out-sourcing independently. The kids' wear business will continue with its plan of opening about 150 new *361°* Kids points of sales in 2013 as it is set on tapping China's huge, burgeoning kids' wear market for business growth. This line of business will develop into a growth driver.

ePOS gained traction among the retail outlets

As at 31 December 2012, 5116 stores, or 63.3% of the Group's total 8,082 retail outlets adopted an electronic point-of-sale system ("ePOS"), which is directly linked to the central servers of the Group's headquarters in Xiamen. The online and real-time ePOS enhanced the Group's ability to monitor sales, identify customer preferences, manage inventories and thus respond more promptly to market changes.

Brand promotion and marketing

The Group maintained its effort in building brand and marketing in order to differentiate itself from its peers and consolidate its foothold in the market. Such move was especially important when industry players could not rely on sales volume for growth amid the market glut.

With the *361°* positioned as a mass market brand targeting sports fans aged between 18 and 30, the Group developed a Chinese marketing slogan "多一度熱愛", which literally meant "One Extra Degree of Passion" for pursuing excellence. Our focus on excelling in quality and design of sportswear also echoed the athletes' passion for pursuing excellence in sports. By aligning the goals of the Group, the athletes and the sports fans, the Group has built a brand to foster customer loyalty.

Aiming at enhancing the recognition of the *361°* brand and the Group took a three-pronged strategy in promoting its brand and marketing. The strategy comprised major sports event sponsorship, strategic partnerships with a major state media and appointing celebrity athletes as spokespersons of the Group's products.

During the year under review, the Group stepped up its effort in sponsoring major sports events. A notable sports event which it sponsored was the 3rd Asian Beach Games held in June 2012. About 1,600 athletes from 45 countries and regions around Asia participated in the Asian Beach Games. As a co-sponsor of the event, *361°* provided the event's uniforms for the Chinese delegations, workers, volunteers and technicians to achieve maximum exposure for the brand. The "beach series" sportswear was offered for sale in the stores at Shandong Province where the Game was held and was also available for sale on popular online platforms such as Taobao and TMall. In 2011, the Group successfully secured the exclusive rights to be the official sports apparel sponsor for the Second Youth Olympic Games in Nanjing to be held in 2014.

In the year under review, the Group formed strategic partnership with China's national sports TV channel CCTV-5, which had broad coverage over a broad range of sports and exclusive rights to broadcast certain major sports events over nationwide television networks in the country. In 2012, CCTV-5 broadcasted the London Olympics, in which China's athletes performed with flying colours, making China to rank second in the Olympic medal tally. The nationwide broadcast coverage of China's national sports teams also allowed *361°* brand extensive media coverage.

For the year under review, the Group also appointed some famous sports stars as the spokespersons for its products. For instance, it hired London Olympics gold medalist of 400m and 1,500m freestyle swimming Sun Yang, U.S. NBA basketball star Kevin Love (Minnesota Timberwolves NBA All-Star), Stephon Marbury (a two-time NBA All-Star, now a point guard with the Beijing Ducks, the 2011/12 winner of the Chinese Basketball Association championships and voted Most Valuable Player) a few Jamaican hurdlers and runners, as the Group's spokespersons to promote the sports in which they excelled and to enhance the awareness of the *361°* brand. Apart from the athletic spokesmen, the Group also recently signed Jikejunji（吉克雋逸）, the second runner-up in the 2012 highly successful "Voice of China" talent show as the spokesman for the lifestyle brand – Shine. All these celebrities helped the Group project an image of a professional sportswear company.

Sponsorship of professional sports teams

During the year under review, the Group reached out to target consumers effectively by sponsoring a number of professional sports teams.

China National Cycling Team
China National Triathlon team
China National Modern Pentathlon Team
China National Handball Team
China National Softball Team
China National Hockey Team
China National London 2012 Paralympic Games Delegation
North Korea London 2012 Olympics Delegation
Maldives London 2012 Olympics Delegation
Belarus London 2012 Olympics Delegation
Croatia London 2012 Olympics Delegation
Latvia London 2012 Olympics Delegation
Swedish National Curling Team

Sponsorships of professional sports events

Multi-year sponsorship arrangements with sports events continued to be the mainstays of the Group's promotional activities to generate and maintain the awareness of the 361° brand in the market.

Time	Event	Capacity
2010-2015	*361°* Men/Women's National Volleyball Tournament series	Sole Title Sponsor
2007-2013	*361°* China University Basketball Super League	Designated Partner
2012	Haiyang 2012 3rd Asian Beach Games	Prestige Partner
2012	World Men's & Women's Curling Championship	Designated apparel sponsor
2009-2013	China Table Tennis Super League	Title Sponsor
2009-2013	CCTV Channel 5	Sportswear sponsor for hosts and journalists
2009-2013	Jinmen Marathon	Designated sports footwear and apparel sponsor
2011-2013	Chongqing Marathon	Designated sports footwear and apparel sponsor
2013-2014	World Women's Curling Championship	Designated apparel sponsor
2012	Asian Men's & Women's Championship (Handball)	Sportswear Sponsor for the referee and technical officials
2012-2013	Asian Club League (Handball)	Sportswear Sponsor for the referee and technical officials
2013	Asian Men's & Women's Beach Handball Championship	Sportswear Sponsor for the referee and technical officials
2014	Nanjing 2014 Youth Olympics	Sportswear sponsor

Product design and development

Maintaining an edge in product innovation and research and development is the key to differentiating the Group from its competitors in China's sportswear market.

In the year under review, the Group continued to cooperate with the Research and Development Centre in Guangzhou to develop performance sports shoes for the Chinese national sports teams which 361 Degrees sponsored. The athletes' feedback also served as valuable input for the research and development centre as it kept improving or upgrading the products in terms of functionality, comfort, and design. The cooperation yielded 30 patents as at 31 December 2012 including Trigrip, Oliga and NFO.

Meanwhile, the Group's partnership with Beijing Institute of Fashion Technology was making progress in developing quality sportswear with new fabrics and designs to enhance athletes' performance. As at 31 December 2012, 7 patents on the innovation of new fabrics and clothes designs were obtained. The partnership helps to nurture the design professional with the base of scientific research and innovation of high-technology fabric to help the Group keep abreast of the latest trends in fashion, fabrics and styles. The Group also set up a 10-year scholarship award program for the distinctive students of the Institute.

As of 31 December 2012, there were 116 research and development staff for footwear and 289 research and development staff for the apparel, accessories and children's wear. The Group's R&D spending amounted to about 1.7% of turnover for 2012. (for the year ended 31 December 2011: 1.5% and six months ended 31 December 2011: 1.5%.)

Production

As at the end of December 2012, the Group owned 23 footwear production lines in the Wuli Industrial Park and Jiangtou. The 23 footwear production lines provided an annual production capacity approximately 21 million pairs of footwear. The apparel factory in Wuli Industrial Park launched in 2010 with an annual production capacity of 10 million pieces. The Group try to maintain an optimum balance between in-house and outsourced production, considering the factors of production costs, labour and overheads. It has also provided all sorts of facilities and amenities e.g. kindergarten, supermarket, computer, library, mini-cinema, snookers, yoga class and fitness centre, to adhere every 361's worker.

Due to the severe market environment, the sales volume has been decreased, the Group rented 3 production lines to an OEM suppliers and considered that the rental of production lines could lower the cost of running spare machineries and save the cost on keeping excess labour. Continuous demand on the young labour from different markets and areas have increased pressure on keeping skilled workers. The annual production capacity for these 3 production lines are 3 million pairs of footwear and the rental period started from April 2012 to March 2013.

Distributorship Model

The Group adopts the distributorship model which is prevalent in the sportswear industry in China. Under this model, the Group sells products exclusively to its distributors at a uniform discount to the suggested retail price. The distributors in turn sell these products to the authorized retailers at a price which is a uniform discount to the suggested retail price which has been approved by the Company. The authorized retailers then sell the Group's products to consumers in authorized retail outlets. The Board considers such business model has the benefits of achieving the business growth by leveraging the resources of the distributors, as well as the expertise in retail distribution and retail management and local relationships of the distributors. It also enables the Group to focus on designing and developing new and innovative sportswear products, to allocate resources to developing the brand and marketing of the products. The Group's distributors are buyers of our *361°* products and they are not our agent. The Company enters into a distributorship agreement with each of our distributors annually which generally includes the following principal terms:

(i) Duration – The agreement has a term of one year;

(ii) Geographical exclusivity – Each distributor is exclusively authorised to sell our *361°* products within a specific geographic area and is not permitted to sell outside of such area;

(iii) Product exclusivity – Distributors are prohibited from distributing or selling any products that compete with our *361°* products;

(iv) Sales channel and network – Without permission from the Group, distributors are not allowed to sell the Company's product through the electronic commerce platform developed by itself or any third parties;

(v) Undertakings – Our distributors are required to comply with our sales policies, adhere to our pricing policies, and adopt our standardised outlet design and layout in the authorised retail outlets within their exclusive geographic area;

(vi) Pricing – We sell our products to our distributors at a uniform price across all distributors;

(vii) Protection of our intellectual property rights – Our distributors are only allowed to use our intellectual property in connection with the sale of our *361°* products and we require our distributors not to participate or assist in any activities that may infringe upon our intellectual property rights;

(viii) Renewal – Negotiations for renewal of the distributorship agreements will usually takes place 60 days prior to their expiry date;

(ix) Transportation insurance – Our distributors are responsible for making their own delivery arrangements with the risk of loss of or damage to products during transport being borne by the distributors;

(x) Returned goods arrangements – Our distributors will only be able to return the goods we sold to them if there are quality problems. There was no returned goods for the year ended 31 December 2012;

(xi) Termination rights – We are entitled to terminate the agreement in certain circumstances (for example: for breach of the agreement by the distributors, sale by the distributors of pirated products, material damages to our brand image caused by the distributors). Our distributors do not have termination rights under the agreements; and

(xii) Distributors who breach any of (i) to (iv) above must return all the relevant profit to the Group with an additional fine of RMB1 million.

The distribution agreements entered with our distributors do not contain any obsolete stock arrangement as we do not treat any of our stock as being obsolete. Authorized retailers with excess inventory may attempt to sell such excess inventory through regular and special end-of-season sales. The authorized retailer may also sell such excess inventory to a factory outlet in its own province.

Our sales return policies only allows the distributors to return products to the Group due to material quality defects. Distributors should inspect the products and, where defective products are found, may report the alleged defect to the Group. Such reports must be made within three days of delivery. The Group is not responsible for defects caused by improper storage by the distributors and improper use by consumers. For the year ended 31 December 2012, the Group did not receive any notifications with respect to quality defects or any sales return from customers. Our distributors are not allowed to return products to the Group by reason of such products being unsold.

Distributors are invoiced upon delivery of the Group's products and the Group recognize the sales of goods when the products leave the Group's warehouse. At that time, such distributor has accepted the risks and rewards of ownership. The Group generally provides a credit period between 30 and 180 days to the distributors, the exact term of which is determined based on such factors as past sales performance, credit history and the expansion plans. The distributorship agreements with our distributors do not specify minimum amount of purchases from us.

During the year under review, the Group is not aware of any of the distributors having committed any material breach of the distributorship agreements. The Group had renewed the annual distributorship agreements with all but one of our distributors for the year 2012. As the performance of the distributor covering Jiangsu province cannot meet the Group's expectation, the Group did not renew his contract and the area concerned has been assigned to be supervised by another existing distributor of the Company. As at 31 December 2012, the Group has 31 distributors. None of the Group's distributors are former employees of the Group or sales partners who traded under the Group's name.

During the year under review, total sales to our distributors amounted to approximately RMB4,950.6 million and no goods were returned from our distributors.

Pursuant to the distributorship agreements, our distributors are entitled to authorise a person to become an authorised retailer to sell our *361°* products and to use the *361°* logo in a *361°* authorised retail outlet. The distributorship agreements with our distributors do not set expansion targets in respect of number of retail outlets.

Distributors then enter into separate agreements with our authorised retailers for the sale and purchase of our *361°* products and other aspects of their commercial relationship. The distributors are responsible for ensuring that authorised retailers do not sell *361°* products outside of their respective territories. Authorised retailers breaching any of the terms stipulated in their separate agreements with the distributors will be subject to penalties, such as monetary fines and the termination of their authorisation to sell our *361°* products.

FINANCIAL REVIEW

Turnover

During the year under review, turnover decreased by 11.1% because the retail sales at the Company's franchised network decreased amid the country's sportswear market glut. The decrease was mainly due to part of the 2012 autumn and winter trade fair products had to be curtailed in order not to build up inventories in a slowing market. The orders had been restated as a decrease of 10% and 26%, respectively when compared with the respective trade fairs in the last year. Follow to these two trade fairs, the orders placed at the 2013 spring/summer trade fair and autumn trade fair also recorded a decrease of 23% and 19%, respectively year on year and part of the 2013 spring/summer products have been delivered before 31 December 2012.

All the orders for the balance of 2012 spring/summer products which had not been delivered in 2011, the restated orders of the 2012 autumn and winter products were 100% executed during the year under review.

The Group broadened its product mix to accommodate diversified market needs and worked hard to boost sales and maintain profit margins amid the tough competition.

During the year under review, the sales of footwear was mainly attributable to the slight increase in price of the current range of products with volumes still low. The average wholesale selling price (the "ASP") of footwear recorded growth by 3.6% whereas the volume has decreased by 24.1% compared on a year to year basis. (the ASP for the six months ended 31 December 2011 was RMB116.9 and the sale volume was 10.2 million). On the other hand, the sales volume of apparel had increased by 2.8 million represented by a growth of 10.9% while the ASP had dropped from approximately RMB94.7 to RMB79.4 per piece (the ASP for the six months ended 31 December 2011 was RMB117.8 and the sale volume was 9.0 million). The downturn on the ASP of apparel was due to the decrease on sales of the 2012 Winter trade fair products as the seasonality factor influence on the ASP of apparel was much higher than footwear.

The *361°* Kids collection continued to perform well as its turnover increased by 97.7% to RMB370.1 million, accounting for 7.5% of the Group's turnover in 2012, up by nearly a double when compared with the year ended 31 December 2012. Both the ASP and volume recorded a growth by 25.7% and 57.1%, respectively (for the six month ended 31 December: the ASP was RMB54.0 and the sales volume was 1.3 million)

A table showing the number of units sold and the ASP of the Group's products during the year/period under review:

	For the year ended 31 December 2012 ("FY2012")		For the year ended 31 December 2011 ("FY2011")		For the six months ended 31 December 2011	
	Total units sold	**Average wholesale selling price[1]**	Total units sold	Average wholesale selling price[1]	Total units sold	Average wholesale selling price[1]
	'000	***RMB***	*'000*	*RMB*	*'000*	*RMB*
By Volume and ASP						
***361˚* Products – Adults**						
Footwear (pairs)	**20,807**	**106.3**	27,407	102.6	10,248	116.9
Apparel (pieces)	**28,724**	**79.4**	25,894	94.7	9,031	117.8
Accessories (pieces/pairs)	**6,081**	**14.6**	7,853	14.8	3,198	15.2
***361˚* Products – Kids**	**6,457**	**57.3**	4,109	45.6	1,348	54.0

Note:

(1) Average wholesale selling price represents the turnover divided by the total units sold for the year/period .

A breakdown by product categories for the year under review showed that footwear and apparel almost share equally comprised 44.7% and 46.0% of the total sales while accessories and kids' products made up the remaining 1.8 % and 7.5% respectively.

The following table sets forth a breakdown of the Group's turnover by products during the year/period under review:

	For the year ended 31 December 2012		For the year ended 31 December 2011		For the six months ended 31 December 2011	
	RMB'000	***% of Turnover***	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*
By Products						
Turnover						
***361˚* Products – Adults**						
Footwear	**2,212,306**	**44.7**	2,813,015	50.5	1,197,684	50.3
Apparel	**2,279,433**	**46.0**	2,452,216	44.0	1,063,750	44.6
Accessories	**88,761**	**1.8**	116,296	2.1	48,561	2.0
***361˚* Products – Kids**	**370,078**	**7.5**	187,151	3.4	72,806	3.1
Total	**4,950,578**	**100**	5,568,678	100	2,382,801	100

As shown in the table below, the Northern region remains the strongest contributor of turnover to the Group for the year under review.

The following table set forth a breakdown of the Group's turnover by regions during the year/period under review:

	For the year ended 31 December 2012		For the year ended 31 December 2011		For the six months ended 31 December 2011	
	RMB'000	***% of Turnover***	*RMB'000*	*% of Turnover*	*RMB'000*	*% of Turnover*
By Regions						
Eastern region(1)	**1,356,767**	**27.4**	1,284,743	23.1	597,008	25.1
Southern region(2)	**1,195,534**	**24.2**	1,253,969	22.5	479,906	20.1
Western region(3)	**931,297**	**18.8**	1,007,115	18.1	464,176	19.5
Northern region(4)	**1,466,980**	**29.6**	2,022,851	36.3	841,711	35.3
Total	**4,950,578**	**100**	5,568,678	100	2,382,801	100

Notes:

(1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.

(2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.

(3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.

(4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

Cost of sales

Cost of sales of the Group for the year ended 31 December 2012 decreased by 7.1% to RMB2,978.3 million. The percentage of decrease was much less than the decrease on the percentage of the turnover for the year under review.

The Group had curtailed the products of the 2012 autumn and winter trade fairs held in November 2011 and March 2012 by 10% and 26%, respectively in July 2012. Pursuant to the contracts with majority of the outsourced suppliers, prepayment was made at the time the Group placed orders with them. Although some of the good relationships outsourced suppliers allowed to withdraw the orders with the return of prepayment, majority of them had ordered raw materials and scheduled productions thus the orders could not be cancelled. In order to keep a good relationship with all these OEM suppliers and cope with the market change, the Group decided to cancel the high priced and sophisticated footwears produced by itself. Such change has increased the cost of internally produced products with excessive overhead cost for running spare production lines and also diminish the volume of internally produced footwear when compared with last year.

All the products for the aforesaid trade fairs were produced and delivered in the second half of this financial year. Therefore, the cost of footwear rose higher in these six months than the first half of the year.

Over these years, the demand for labour have continuous been in stress and intense competition from the sportswear sector, the cost pressure in running a factory has risen. In the year of 2012, the Group entered a contract with an OEM supplier to rent 3 footwear production lines out to increase the flexibility of running the 23 footwear production lines. The Group believed that such arrangement also helped to lower the labour demand.

For apparel, the amount of internal production still limit, about 19% of the products sold was produced by itself in the year. The turnover rate for the labour was also high which increased the cost of production however the Group believed that such production lines could help to understand the cost structure of products and enhance the development on products design.

The following table sets forth a breakdown of cost of sales for *361°* products during the year/period under review:

	For the year ended 31 December 2012		For the year ended 31 December 2011		For the six months ended 31 December 2011	
	RMB'000	***% of total costs of sales***	*RMB'000*	*% of total costs of sales*	*RMB'000*	*% of total costs of sales*
***361°* Products**						
Footwear & Apparel (Internal Production)						
Raw materials	**520,451**	**17.4**	844,472	26.3	353,944	26.6
Labour	**145,606**	**4.9**	200,865	6.3	83,777	6.3
Overheads	**246,254**	**8.3**	212,642	6.6	105,239	7.9
	912,311	**30.6**	1,257,979	39.2	542,960	40.8
Outsourced Products						
Footwear	**777,112**	**26.1**	636,890	19.9	276,356	20.8
Apparel	**1,235,570**	**41.5**	1,234,484	38.5	481,579	36.2
Accessories	**53,273**	**1.8**	76,515	2.4	29,208	2.2
	2,065,955	**69.4**	1,947,889	60.8	787,143	59.2
Cost of sales for *361°* Products	**2,978,266**	**100**	3,205,868	100	1,330,103	100

Gross profit and gross profit margin

Gross profit for *361°* products was RMB1,972.3 million for the year under review. Gross profit margin was 39.8%, down by 2.6 percentage points compared to 2011.

In the 2013 spring/summer trade fair held in July 2012, the Group increased its discounts offered to its distributors from 58% to 60%. The Group adopts a uniform pricing system, with all retail prices of our products fixed at the time of sales to our distributors, and our sales to our distributors were calculated by a fixed discount given to our distributors and retailers.

Footwear recorded an increase of 3.6% in ASP which incorporated the changes of discounts to the distributors for the past trade fairs whereas the decrease in volume of sales by 24.1% had lowered the amount of gross profit for the year under review. The increment of cost from the products was higher than the rise in the ASP percentage, the gross profit margin was dropped from 42.2% to 40.4% for the year ended 31 December 2011 and 2012, respectively. (for the six months ended 31 December 2011: 44.2%)

Although the volume of turnover of the apparel was 10.9% higher, the cutting of 10% autumn and 26% winter trade fairs' products had lowered the ASP by 16.2% when compared with the year ended 31 December 2011. The percentage on the decrease of the cost of outsourced products was less than the percentage decrease on the ASP, as well as, the cost for the internally produced products had increased which lowered the gross profit margin to 39.3% from 43.2% (for the six months ended 31 December 2011: 44.6%).

The ASP of accessories was still maintain at approximately RMB14 per piece but the cost of outsourced accessories was less competitive and could obtain a better gross profit margin at 44.9% than the 37.0% a year ago. (for the six months ended 31 December 2011: 43.0%)

The gross profit margin of the *361°* Kids products was pretty steady at 38.8%, 39.1% and 38.8% for the year of 2012, 2011 and six months ended 31 December 2011, respectively.

The following tables set forth a breakdown of the gross profit and gross profit margin for *361°* products during the financial year/period under review:

	For the year ended 31 December 2012		For the year ended 31 December 2011		For the six months ended 31 December 2011	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
***361°* Products – Adults**						
Footwear	**894,152**	**40.4**	1,187,863	42.2	528,791	44.2
Apparel	**894,648**	**39.3**	1,058,707	43.2	474,812	44.6
Accessories	**39,837**	**44.9**	43,052	37.0	20,879	43.0
***361°* Products – Kids**	**143,675**	**38.8**	73,188	39.1	28,216	38.8
Total	**1,972,312**	**39.8**	2,362,810	42.4	1,052,698	44.2

Selling and distribution expenses

Selling and distribution expenses increased by 17.9% to RMB889.1 million during the year under review, primarily as a result of an increase in the percentage of advertising and promotional expenses of the total turnover from 7.8% to 10.6% for the year under review (for the six months ended 31 December 2011: 11.1%).

During the year under review, selling and distribution expenses represented approximately 18.0% of the Group's turnover. Included in the item of selling and distribution expenses was advertising and promotional expenses, which accounted for 10.6% of the turnover, up by 2.8 percentage points when compared with that in 2011 and dropped by 0.5 percentage points for the six months ended 31 December 2011.

The increase was due to the advertising and promotional expenses of the Haiyang 2012 Asian Beach Games, Nanjing 2014 Youth Olympic and the endorsements of star athletes.

Meanwhile, the Group continued to provide racks at "Shine", *361°* Kids stores and some of the adults' sportswear stores. The racks are part of the furniture and fixtures for displaying products to customers at retail outlets. In order to increase the competitiveness to fight for the intense competition, the Group encouraged both the distributors and retailers to upgrade their stores and some of those had received direct subsidy through the provision of furniture and fixtures from the Group. The Group provided racks in an amount of RMB203 million and accounted for about 4.1% of the turnover for the year under review. Such support will continue for the year of 2013.

Administrative expenses

Administrative expenses increased by 1.1% to RMB302.8 million for the year ended 31 December, 2012. It represented about 6.1% of the Group's turnover, compared to 5.4% in 2011(for the six months ended 31 December 2011: 6.4%).

The increase in the percentage was mainly due to the slight increase in the research and development expenses and depreciation expenses but with a decrease in the yearly turnover.

The research and development expenses was approximately 1.7% of the turnover for the year under review, compared with 1.5% for 2011 and also 1.5% for the six months ended 31 December 2011.

Depreciation expenses was increased from 0.8% to 1.0% of the total turnover year on year basis which was mainly due to the increase in the property, plant and equipment during the year.

Finance Costs

Finance costs increased to RMB67.0 million for the year ended 31 December 2012 of which RMB10.4 million was related to short-term bank borrowings incurred in the year and the balance of RMB56.6 million was the amortisation of relevant interest and cost in relation to the convertible bonds.

In April 2012, the Group issued US$150,000,000 4.5% Convertible Bonds due 2017. The net change in fair value as at 31 December 2012 and the cost and interest were accrued in the year. As at 31 December 2012, all the bank and other loans had fully or partly been repaid, except for a RMB25.0 million bank loan for the financing of a 51% owned subsidiary and a withdrawal of a new bank loan on 31 December 2012 amounting RMB17.3 million for the finance of an office acquired in Hong Kong.

The interest of the convertible bonds composed 1) an accrued interest of 4.5% per annum to the convertible bonds amounting to RMB31.7 million for the year ended 31 December 2012 of which RMB21.4 million had been paid in October 2012 and the remaining balance will be paid in April 2013 and; 2) the balance of the RMB24.9 million was the amortization cost of accrued interest and cost incurred for the issuance of convertible bonds over the tenor of 5 years.

Income tax expenses

During the year under review, income tax expenses of the Group amounted to RMB115.1 million (2011: RMB248.3 million, for the six months ended 31 December 2011: RMB78.2 million) It composed of the current tax of RMB150.6 million and a reversal of deferred tax of RMB35.5 million. The reversal of deferred tax was related to the recognition of deferred tax assets on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases regarding certain selling, advertising and promotional expenses which would be deductible on paid basis. The amount of current tax for the year of 2011 was RMB252.7 million and the reversal of the deferred tax was RMB4.4 million.

Excluding the amount for the net change in fair value of derivatives embedded in convertible bonds, the profit before taxation for the year of 2012 was RMB797.4 million and the effective income tax rate was 18.9% whereas 18.3% for the year of 2011. Started from 1 January 2010, the applicable tax rate for three out of the four of our PRC operating subsidiaries are at the standard rate of 25% whereas only one subsidiary could still enjoy 50% tax concession up to 31 December 2012.

Profit attributable to equity shareholders

As compared with the year of 2011, profit attributable to equity shareholders for the year under review decreased by 37.6% to RMB707.2 million. The decrease is principally attributable to the continued challenging conditions in China's sportswear industry such as high inventory level, retail discounting pressure, and intensified competition which affected the industry's performance throughout the year 2012. The Company's profit decreased because of a decrease in the general sales volume, a downward pressure on the gross profit margin and higher selling and distribution expenses as compared to the year ended 31 December 2011. Earnings per share for the year under review was RMB34.2 cents, down 37.6% when compared with the year of 2011.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2012, net cash inflow from operating activities of the Group amounted to RMB1,658.8 million. As at 31 December 2012, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months, amounted to RMB2,107.0 million, representing a net increase of RMB1,647.2 million as compared to the position as at 31 December 2011. The increase was attributed to the following items:

	For the year ended 31 December 2012 RMB'000	For the year ended 31 December 2011 RMB'000	For the six months ended 31 December 2011 RMB'000
Net cash generated from/(used in) operating activities	**1,658,777**	(80,840)	(1,344,082)
Net capital expenditure	**(150,566)**	(341,581)	(98,283)
Dividends paid	**(289,464)**	(479,719)	(332,884)
Proceeds from new bank loans	**241,128**	35,995	29,520
Proceeds from other loan	**–**	150,000	150,000
Repayment of bank loans	**(227,594)**	(18,384)	(13,955)
Repayment of other loan	**(150,000)**	–	–
Payment for purchase of other financial asset	**–**	(17,550)	(17,550)
Proceeds from issuance of convertible bonds	**922,894**	–	–
(Placement)/withdrawal of fixed deposits (with maturity over three months)	**(378,889)**	246,010	(76,532)
Other net cash inflow/(outflow)	**20,970**	12,555	(65,839)
Net increase/(decrease) in cash and cash equivalents	**1,647,256**	(493,514)	(1,769,605)

Firstly, the trade and bills receivable amounted of RMB2,111.5 million as at 31 December 2012 was 10.3% less than the amount as at 31 December 2011. The industry is in fierce competition, the Group has reduced the number of its stores opened. Its support to distributors and retailers in the form of extra credit for the new stores also decreased in the year. Secondly, the amount of prepayments has also been decreased by the reduction in the amount of trade fair orders held in the 2012 when compared with the balance as at 31 December 2011.

The Group had borrowed a few new bank loans of RMB241.1 million and other loan of RMB150.0 million which had fully or partly repaid before 31 December 2012. As at 31 December 2012, there were only a bank loan amounting RMB25.0 million for the financing of a 51% owned subsidiary and a withdrawal of a new bank loan on 31 December 2012 amounting RMB17.3 million for the finance of an office acquired in Hong Kong.

In order to bolster its working capital at a time when monetary conditions remained tight in the PRC, the Group successfully issued convertible bonds with principal amount of US$150.0 million in April 2012 with a coupon rate of 4.5% over a 5-year tenor. The net proceeds of RMB922.9 million were received in early April. The intended use of the net proceeds was for the general corporate development and working capital.

With the issuance of the convertible bonds, the Group's gearing ratio has increased to 11.0% as at 31 December 2012 (as at 31 December 2011: 3.2%).

During the year under review, the Group had not entered into any interest rate swap arrangements to hedge against interest rate risks.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group also pays declared dividends in Hong Kong dollars. During the year under review, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against renminbi may have a financial impact on the Group.

PLEDGE OF ASSETS

As at 31 December 2012, a building with net book value of RMB45,423,000 (2011: RMB nil) was pledged as security for a banking facility of the Group of RMB21,646,000 (2011: RMB nil).

The aforesaid banking facility was for the finance of a newly acquired office unit in Hong Kong. The office unit is for the Group own use and not for any investment purpose.

Bills payable as at 31 December 2012 were secured by pledged bank deposits of RMB95.7 million.

WORKING CAPITAL MANAGEMENT

The average working capital cycle for the year ended 31 December 2012 was 109 days (year ended 31 December 2011: 70 days), which was much higher than a year ago. It was mainly due to the increase in trade and bills receivable days and inventory turnover days.

The average trade and bills receivable cycle increased to 165 days for the year ended 31 December 2012 (year ended 31 December 2011: 119 days). It showed an increase of 46 days whereas a decrease in the absolute amount by 10.3%. The balance was approximately RMB2,111.5 million as at 31 December 2012 (2011: RMB2,354.8 million). Over 92.9% of the trade debtors and bill receivable was considered as neither past due nor impaired. The Group had close contacts with all the distributors and believes that all the debts are traceable. On such basis, it does not intend to, and does not consider there is a need to make any bad debts or permanent impairment provisions over its receivables.

Over the past two years, sportswear industry still experienced severe competition from the price war among peers in reducing excess inventory and the fast retailing brand on the apparel market. All the factors slowed down the growth of industry in the years. Only the brand with strong foundation, long term development could win the competition and sustain in the industry. The Group believed that the supports to distributors and retailers in running their stores network are important. Although the accounts receivable turnover days was still high, the Group believed that the market will have a turnaround after 2013 and a new look on the numbers.

The average inventory turnover cycle increased to 56 days for the year ended 31 December 2012 (year ended 31 December 2011: 40 days). In terms of absolute amount, the inventories balance was RMB460.7 million as at 31 December 2012, which was RMB9.5 million more than 31 December 2011. About 68.7 % of the stock was finished goods and were mainly 2013 Spring/Summer products. As reported by the distributors in the third and fourth quarter of 2012, retail stores still suffered from stiff competition and resulted in higher channel inventory than usual although the ratio of channel inventories improved from 4.2 times to 4.05 times for the forth quarter of 2011 to 2012. This was fully reflected by the 23% and 19% drop on the amount of orders made by the distributors for the 2013 spring/summer trade fair products and 2013 autumn trade fair product held in July and November 2012, respectively. Distributors requested to postpone the delivery of 2013 spring/summer products and they can have a chance to fully digest the 2012 winter products before the Lunar Chinese New Year in January 2013.

As at 31 December 2012, prepayments to suppliers were RMB388.9 million, represented a 36.3% drop when compared with last year (as at 31 December 2011: RMB610.5 million), which represented an upfront deposit paid to suppliers for the acceptance of orders for the 2013 Spring/Summer and Autumn products. Since the amount of orders received by the Group had decreased which led to the relevant deposits paid was also decreased.

The average trade and bills payable cycle was 112 days for the year ended 31 December 2012 (year ended 31 December 2011: 89 days). It also represented an average trade payable cycle of 53 days (year ended 31 December 2011: 41 days) and 180 days credit for the issuance of bills payable to suppliers. Most of the OEM suppliers supported the Group to fight for the downturn of industry and extended credit terms particularly at the time of the Lunar Chinese New Year.

CONVERTIBLE BONDS

Given the recent headwinds in the China sportswear industry, the Group believed it was prudent to maintain a strong cash position although it is in net cash position for the year under review. On 13 March 2012, US$150 million 4.5% Convertible Bonds due 2017 ("the Convertible Bonds") was launched. It was then issued and listed on the Singapore Exchange Securities Trading Limited in Singapore on 3 April 2012. The Board considered that the issue of Convertible Bonds provided an opportunity to broaden the capital base of the Company and also gained immediate access to funding on attractive terms.

The Convertible Bonds can be converted into the ordinary shares of the Company (the "Shares") from 14 May 2012 to 3 April 2017 and the initial conversion price was HK$3.81 and subsequently adjusted to HK$3.53 after a declaration of the interim dividend on 11 September 2012. If the Convertible Bonds was fully converted into Shares, the number of Shares will be increased by 329,694,051, representing about 13.8% of the issued share capital as enlarged.

At any time after 3 April 2015 but prior to 3 April 2017, being the date of maturity of the Convertible Bonds, the Company can redeem the whole Convertible Bonds subject to certain terms and condition. On the other hand, the holders of the Convertible Bonds can also request the Company to make a full or partial redemption on 3 April 2015.

The valuation of the Convertible Bonds for the period has been divided into two parts: 1) the derivative component and 2) the liability component. As the value for the conversion options of the bondholder as at 31 December 2012 was still higher than the time of issuance, it incurred a net gain on the fair value change to the Group amounting to RMB32.9 million after deducting the changes derived from the valuation for both the redemption option of the issuer and bondholder.

USE OF PROCEEDS

The shares of the Company were listed on the main board of the Hong Kong Stock Exchange on 30 June 2009 with net proceeds from the global offering of approximately HK$1,905.4 million (after deducting underwriting commissions and related expenses).

Net proceeds from the global offering (HKD million)

Use of net proceeds	Available to utilise	Utilised (as at 31 December 2012)	Unutilised (as at 31 December 2012)
Developing and increasing brand awareness	741.2	457.2	284.0
Developing new production facilities	613.5	613.5	–
Developing children's footwear and apparel sub-brand	171.5	160.0	11.5
Establishment of a new product testing and R&D laboratory	114.3	114.3	–
Establishment of an ERP system	74.3	7.6	66.7
General working capital	190.6	190.6	–
	1,905.4	1,543.2	362.2

EMPLOYEES AND EMOLUMENTS

As at 31 December 2012, the Group employed a total of 8,883 full time employees in the PRC which included management staff, technicians, salespersons and workers. For the 12 months ended 31 December 2012, the Group's total remuneration of employees was RMB343.1 million, representing 6.9% of the turnover of the Group. The Group's emolument policies, based on the performance of individual employees, are formulated to attract talent and retain quality staff. Apart from the provident fund scheme (operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. The Group believes its strength lies in the quality of its employees and has placed a great deal of emphasis on fringe benefits

PROSPECTS

The year 2012 turned out to be the most difficult time for the sportswear industry since 361 Degree's establishment in 2002 as the sales channels suffered from a market glut and thus high inventory. It is expected that these unfavourable market conditions will last well into 2013.

The Group judges that the sportswear industry's development will not be driven by sales volume in the foreseeable future, following the rapid expansion in the past several years. Instead, a sportswear company will have to win market share with a distinctive brand image, innovative designs, good quality and high performance of the products, and a new product line.

Despite the temporary market glut, China's on-going urbanization, rising public awareness about health, the government's policy to encourage people to live a healthy life with more frequent physical exercise, the country's Twelfth Five-year Plan to boost domestic consumer spending, and increasing disposable income will foster the sportswear industry in the long term. The Group believes that competitive advantages such as a strong brand, effective marketing and product innovation will able to tide an industry player over until the market improves. The survivors of the difficult market will become stronger.

To get geared up for the opportunities and challenges in the future, the Group will continue with its effort in sponsoring major sports events, promoting its brand through partnership with the national sports TV channel CCTV-5, developing new products or improving existing models with its research and development partners in Guangzhou and Beijing, and fostering the development of its promising product line of *361°* Kids. *361°* Kids will work to develop into a growth-driver in the future.

It will also work closely with its distributors and retailers to boost sales. Specific measures will include helping the stores improve the presentation of goods and the shopping environment and raising their efficiency with the ePOS.

In 2013, the Group will continue with its passion for excellence as its brand *361* Degrees suggests, and work for better returns to its shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules as of 31 December 2012.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries did not make any purchase of shares of the Company for the year ended 31 December 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in the Appendix 14 of the Listing Rules during the year ended 31 December 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 31 December 2012.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee is composed of four independent non-executive directors of the Company, Mr. Yan Man Sing Frankie, Mr. Sun Xianhong, Mr. Liu Jianxing and Mr. Tsui Yung Kwok. Mr. Yan Man Sing Frankie serves as the chairman of the audit committee of the Company. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The audit committee of the Company has met and discussed with the external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2012. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2012 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

DIVIDEND

The Board recommended to declare a final dividend of RMB7.0 cents (equivalent to HK8.7 cents) per share, subject to approval by the shareholders at the forthcoming annual general meeting. Including the interim dividend of RMB7.0 cents (equivalent to HK8.5 cents) per share for the six months ended 30 June 2012 already paid, total payout for the year amounted to RMB14.0 cents (equivalent to HK17.2 cents) per share or RMB289.5 million in aggregate, representing 40.9% of the profit attributable to equity shareholders of the Company for the year ended 31 December 2012. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting of the Company, will be paid to shareholders on or about 9 May 2013.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("the AGM") of the Company is scheduled to be held on Friday, 19 April 2013. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 17 April 2013 to Friday, 19 April 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 16 April 2013.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Friday, 26 April 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 25 April 2013 to Friday, 26 April 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 24 April 2013.

PUBLICATION OF 2012 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.361sport.com), and the 2012 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, customers and bankers for their continuous support.

On behalf of the Board of
361 Degrees International Limited
Ding Huihuang
Chairman

Hong Kong, 5 March 2013

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and four independent non-executive directors, namely, Mr. Yan Man Sing Frankie, Mr. Liu Jianxing, Mr. Sun Xianhong and Mr. Tsui Yung Kwok.