DONGXIANG

China Dongxiang (Group) Co., Ltd. 中國動向（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 3818

Annual Report 2014

DONGXIANG

Contents

Vision

By uniting OUTSTANDING
INDIVIDUALS and striving for MANAGERIAL
EXCELLENCE,
we'll lead the
SPORTS FASHION industry,
all with JOY and PASSION

Mission

To be the most
PIONEERING and DESIRED
SPORT-LIFE brands


Kappa
PRAY FOR YOUR HAPPINESS


GUILTY PARTIES
OUTRAGEOUS
KAPPA
KAPPA
ITALIA KOMBAT
EST. 1916
Sports

CORPORATE INFORMATION

Executive Directors
Mr. Chen Yihong (Chairman & Chief Executive Officer)
Ms. Chen Chen

Independent Non-Executive Directors
Mr. Gao Yu
Dr. Xiang Bing
Mr. Xu Yudi

Auditor
PricewaterhouseCoopers
Certified Public Accountants

Legal Advisers
Norton Rose Fulbright Hong Kong
Conyers Dill & Pearman (Cayman) Limited
East & Concord Partners (Beijing)

Authorised Representatives
Mr. Gao Yu
Ms. Wai Pui Man

Company Secretary
Ms. Wai Pui Man

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

Hong Kong Branch Share Registrar and Transfer Office
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17/F Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

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Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
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Tower Two, Lippo Centre
No. 89 Queensway
Hong Kong

Head Office in People's Republic of China
Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technological Development Area,
Beijing 100176, People's Republic of China

Principal Bankers
Industrial and Commercial Bank of China
Shanghai Pudong Development Bank
China Citic Bank
China Merchants Bank

Website
www.dxsport.com


Kappa

FIVE-YEAR FINANCIAL HIGHLIGHTS

(All amounts in Renminbi million unless otherwise stated)

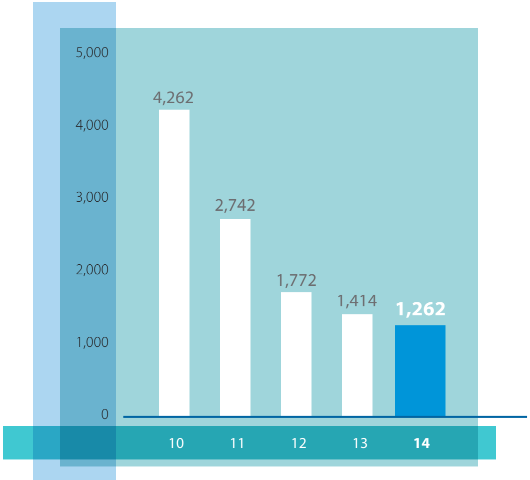
	Note	2014	Year ended 31 December 2013	2012	2011	2010
Sales		**1,262**	1,414	1,772	2,742	4,262
Operating profit		**989**	225	89	99	1,741
Profit before income tax		**975**	275	271	228	1,837
Profit attributable to equity holders		**915**	210	177	102	1,464
Non-current assets		**5,378**	3,747	1,565	1,557	950
Current assets		**5,931**	5,221	5,764	5,895	7,442
Current liabilities		**939**	311	360	621	872
Net current assets		**4,992**	4,910	5,404	5,274	6,570
Total assets		**11,309**	8,968	7,329	7,452	8,392
Total assets less current liabilities		**10,370**	8,657	6,969	6,831	7,521
Equity holders' equity		**10,340**	8,609	6,923	6,795	7,515
Gross profit margin (%)		**50.7**	48.2	47.5	55.0	59.7
Net profit margin (%)		**72.5**	14.9	10.0	3.7	34.3
Earnings per share						
— basic (RMB cents)		**16.61**	3.82	3.19	1.82	25.83
— diluted (RMB cents)		**16.61**	3.82	3.19	1.82	25.82
Total assets per share (RMB cents)	1	**205.21**	162.80	132.33	132.92	148.11
Debt to equity holders' equity ratio	2	**0.09**	0.04	0.06	0.10	0.12

Notes:

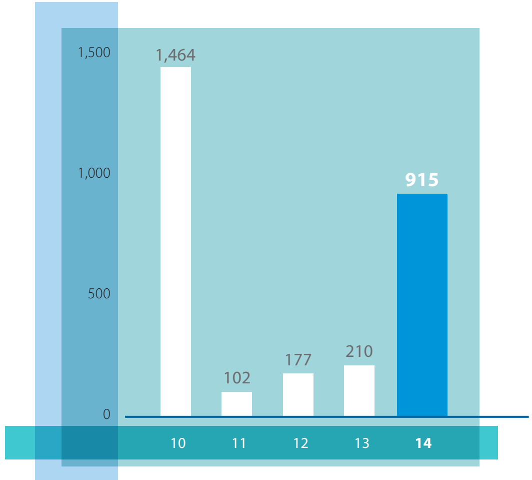
(1) The number of ordinary shares used in the calculation for the year ended 31 December 2014, 2013, 2012, 2011 and 2010, are 5,511,030,000 shares, 5,508,643,000 shares, 5,538,588,000 shares, 5,623,497,000 shares and 5,666,053,000 shares, which were the weighted average number of shares for the years.

(2) The debt to equity holders' equity ratio is calculated based on total liabilities of the Group divided by equity attributable to equity holders of the Company as at 31 December for the year.

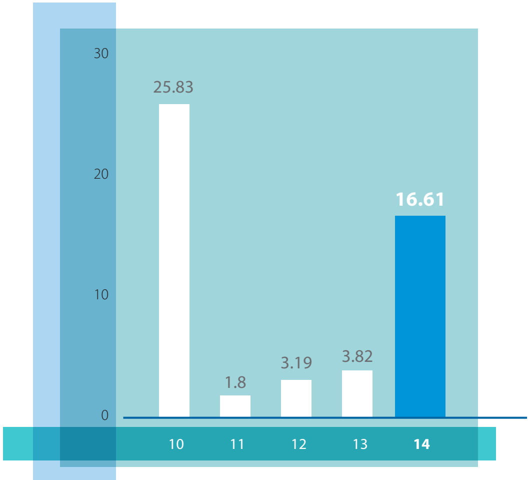
SALES



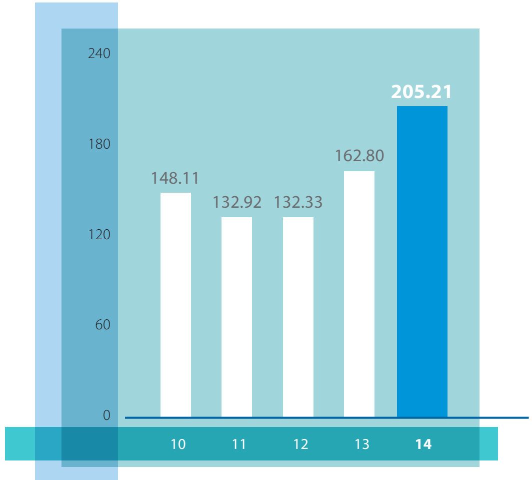
PROFIT ATTRIBUTABLE TO EQUITY HOLDERS



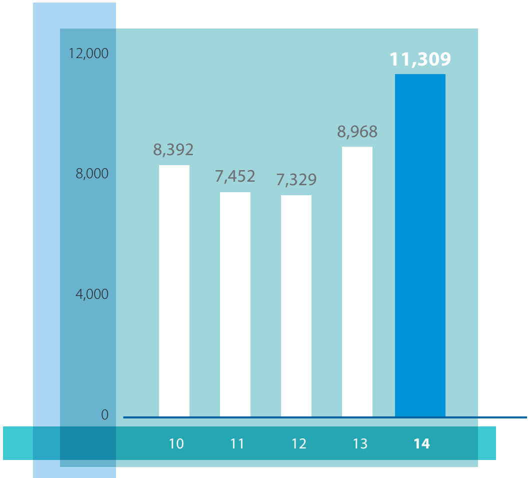
EARNINGS PER SHARE — BASIC (RMB CENTS)



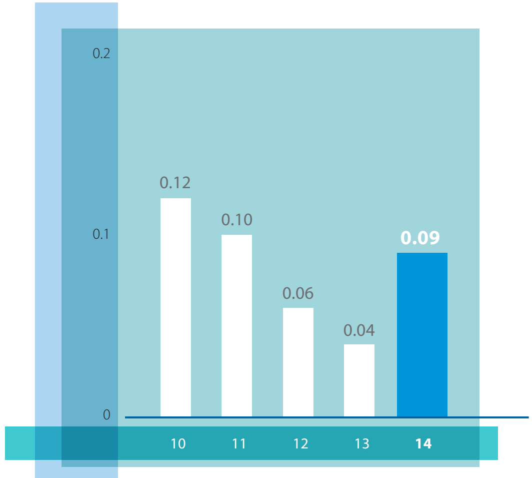
TOTAL ASSETS PER SHARE (RMB CENTS)



TOTAL ASSETS



DEBT TO EQUITY HOLDERS' EQUITY RATIO (TIMES)




Kappa

Dear Shareholders,

In retrospect of 2014, the Chinese economy experienced a gentle slowdown in growth amidst overall stability, as growth in total demand in the second half of the year was relatively weak in an apparent lack of consumers' confidence. The sportswear industry in general was gradually set on the path of recovery, showing signs of positive growth following a series of realignment and restructuring in the recent years. Against this backdrop, our employees worked in concerted effort to keep the end-market stable and reported fruitful results as they explored and innovated more products that meet market demands, while identifying and taking part in significant cooperative projects.

The Group reported a 335.7% year-on-year growth in net profit attributable to equity holders for the 12 months ended 31 December 2014 to RMB915 million. Basic earnings per share improved 334.8%, year-on-year, to RMB16.61 cents. As at 31 December 2014, cash and bank balance and treasury products amounted to RMB4,626 million, providing the financial resources and flexibility required for the implementation of strategic measures for long-term development. In line with the Group's usual dividend policy, we have proposed to distribute 30% of the net profit attributable to equity holders for the year ended 31 December 2014 as final dividend. In view of the sound financial position of the Group, the Board of Directors has further proposed to distribute 40% of the net profit attributable to equity holders for the year ended 31 December 2014 as special dividend. Therefore, the overall dividend payout ratio for the year ended 31 December 2014 is 70%.

The sales of China segment for the 12 months ended 31 December 2014 decreased by 8.4%, year-on-year, to RMB828 million, reflecting a 17.6% decrease for the first half of the year and a largely unchanged sales level for the second, as the Group succeeded in stabilising sales through a range of business control measures that proved to be effective. Gross profit margin for the China region improved from 55.2% to 59.8%, reflecting improved price concessions of off-season products and the increased weighting of new products which commanded higher profit margins.

In terms of sales orders, the Group reported low double-digit growth for the value of orders received in 2015, reflecting primarily the Group's persistence in ongoing product explorations and improvements to enable innovative product design and development, which resulted in the launch of a number of novel and fashionable products hugely popular with the market, customers and consumers.

In 2014, the Group reported steady progress in its effort to intensify reforms, as it achieved encouraging results in stages through the building of a comprehensive and balanced sales network under its new business model of "self-owned retail outlets + dealership + franchise chain". In connection with sales, we have substantially enhanced the sell-through rate at retail-end levels by conducting reasonable and effective merchandise allocation and replenishment based on scientific analysis of retail-end data, drawing on insights from the Big Data concept. As at the end of the year, we had more than 1,200 retail outlets in China, forming a generally stable sales network. Sales of our 7 subsidiaries operating self-owned retail outlets in aggregate accounted for over 30% of our total sales in China segment.

In terms of brand promotion, the Group conducted in-depth streamlining of its brand attributes to clarify its brand positioning and image. A range of effective promotional campaigns were launched via diverse advertising means and platforms to highlight the fashionable and international characteristics of the brand. During the second half of 2014, Kappa continued to shine in graphic media promotion, as evidenced by the spectacular effects of its advertisements placed in popular fashion magazines. Meanwhile, we have continued to intensify our efforts in online and offline product promotion activities, such as collaborations with online social media including Weibo and Wechat, while the innovative "Kappa Bubble Soccer", which hit the market with instant sensation upon its launch in the four big cities of Shenzhen, Nanjing, Taiyuan and Dalian, has boosted sales and garnered considerable media exposure for the brand.

In connection with our e-business, we maintained firmly our rapid pace in development in an increasingly competitive e-commerce market and gradually repositioned our platform from an inventory clearing channel to introducing new products to our online channel. The successful sales of our retro and new products has further enhanced the overall profitability of our e-commerce business.

The Group has also achieved efficiency and cost optimization for its supply chain through the integration of its operations in China and in Japan and continued to shorten the lead-time for distribution through the building of its logistics regime. Currently, the "single retail store delivery" model is being implemented at owned subsidiaries on a trial basis.

Change is the key to problem solution, and problem solution is the key to lasting success. During the year past, the Group increased its concern and commitment to external investment projects and reported fruitful results, while assuring the development and progress of its principal business. We set our mind on change and progress with ongoing efforts to study new models, implement new approaches, explore new thinking and identify new opportunities. In terms of external investment, the Group actively identified and participated in projects with long term development space in a prudent and prospective manner, leveraging its existing resources and advantages to acquire better development opportunities and achieve better earnings, in a bid to assure the Group's stable development. By identifying and investing in projects with potential and significance, we have unveiled broader development prospects for the Group. The road to innovation and change is always a thorny path; only with resolute, determined and total commitment will one be able to move on in unwavering steps and embrace the eventual fruitful harvest.

Small steps add up to a distance far and wide; little drops of water make the mighty ocean. In the year past, our Group's management and employees worked together in concerted effort and proved our confidence and strength with solid actions, as we secured our market and achieved positive results. Looking to the new year, we will, once again and together, unveil a new chapter in Dongxiang's development with our passion, valor, determination and industry, bringing longer-term and better returns for our shareholders.

Chen Yihong
Chairman

25 March 2015

BRAND PORTFOLIO

The Group is committed to becoming one of the best multi-brand sportswear enterprises in the PRC. The Kappa Brand is our first brand and with the strong presence and network developed through the Kappa Brand, it has established solid foundation for us to implement a multi-brand strategy. After the acquisition of Phenix in 2008, the Group owned the brands of Phenix, X-NIX, and inhabitant as well. In order to explore high end sportswear fashion market, the Group launched Robe Di Kappa, a sister brand of Kappa, in the PRC in 2010.

The outdoor and ski products under the Phenix Brand were officially launched in the PRC market in 2011.

By utilising management's extensive experience in the sportswear industry and our strong financial resources, we will endeavor to identify and explore opportunities to operate more international brands in the PRC and/or regional markets.

Kappa

- A renowned Italian sportswear brand founded in 1978
- Since 2002, the Group has been operating the Kappa Brand in the PRC market
- Enriched with Italian fashion elements, Kappa emerges as a leader in the China sports fashion market

phenix

- A top international ski brand with great emphasis on functional performance and fashionable style of equipment through excellence in every detail
- Its simple design yet eye-catching design represents a perfect blend of function and fashion
- It reflects detail-attentive peculiar styles of Japanese designers, and their R&D philosophy of positively absorbing the design features of other products and industries
- An outdoor product line that featured the fusion of fashion and functionality was officially launched in 2011

ROBE DI KAPPA

- A sister brand of Kappa launched in Italy in 1960
- The concept of "sports of connotation" is blended into sports product lines, giving them a touch of Italian humanistic spirit
- Committed to integrating quality, fashion details and stylish expression by providing customers with the unique experience that goes far beyond the apparel items themselves

XNIX

- An apparel brand for snowboarding
- With a mix of functional and fashionable senses, it covers a diverse range of equipment and ornaments
- It assures customers of the joy and fun in snowboarding in any weather conditions, as proven by series of tests under the support of top snowboard athletes

inhabitant

- The youth is the main target audience of this brand
- The product line covers almost all of the extreme sports including surfing, snowboarding, extreme wakeboarding, riding bicycles and skateboards, etc., as well as other entertainment areas of life such as DJ are covered
- Endeavor is made to constantly provide typical types of fashionable and popular sports equipment and everyday clothing

MACROECONOMIC REVIEW

In 2014, national economies around the world produced mixed performances in an unbalanced, lacklustre economic recovery. During the second half of the year, the United States and other major nations became increasingly divided over their monetary policies. The U.S. economy rebounded strongly under the tightening monetary policy of the Federal Reserve Board, as the US Dollar grew stronger in the wake of interest rate normalization, while the nation was close to recording full employment with a falling unemployment rate. The European economy was, on the other hand, sliding into deflation, as the prospect of an economy recovery looked dim given ongoing weakness in private investment and unyielding unemployment rates in a number of countries. Meanwhile, Japan's central bank continued to implement an expansionary monetary policy, while the Yen remained weak and economic recovery in the nation looked meager.

In 2014, the Chinese economy experienced a gentle slowdown in growth amidst overall stability, reporting a 7.4% growth in annual GDP as the nation's economy started a transition to the new norm. Growth in total demand in the second half of the year turned weaker, as the quarter-on-quarter GDP growth for Q4 dropped to 1.5% from 1.9% reported for Q3. While there was an 8.0% real growth in per capita disposable income and a 10.9% real growth in total retail sales of consumer goods, as compared to the previous year, consumers generally remained cautious about future prospects given the volatilities in international developments and the slowdown in economic growth, as well as the transitional stage for the pattern of market growth. Consumers' confidence was lacking and there were no apparent improvements in the willingness to spend.

Though under the pressure from the market, support for the industry has also emerged. It is worth noting that the sporting industry was officially listed in the national strategy in 2014, as the State Council notice entitled "Several Opinions on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" provided a strong, long-term driving force for consumption in the sports market, while the "targeted easing" monetary policy released ample liquidity for the financial market, redirecting investment of private assets of Chinese citizens from the property market to the capital market. While growth in investments in the property industry and manufacturing business continued to slow down, further growth was reported by tertiary industries such as the service, retail and emerging business sectors. With the support of new technological innovations and the central government's support, the contributions of these emerging industries to employment and the GDP contributions of enterprises concerned are expected to drive growth rates in future.

INDUSTRY OVERVIEW

After going through twists and turns and surviving the cold winter, the sportswear industry as a whole was experiencing a more apparent recovery in 2014, with sportswear brands generally reporting stable retail-end sales and improved results, as the destocking stage was nearing its end following a general restructuring of the industry, while store closures also decelerated on the back of gradual improvements in sales channel distribution and management control. Moreover, favourable policies contained in the State Council notice entitled "Several Opinions on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" have further driven the development of the sportswear industry and sportswear market, giving rise to growth potential for the development of sportswear brands in the domestic market.

Notwithstanding a ray of hope afforded by such favourable news, the industry remained subject to the after-impact of large-scale destocking and challenges arising from corporate transformation and realignment. Meanwhile, the ongoing expansion of foreign "fast fashion" brands and the relentless expansion of the e-commerce market continued to create increasing pressure of market erosion upon offline physical outlets of brand companies. Against such market conditions, sportswear brands sought to define their positioning and explore the new propositions and demands of consumers in their spending on sportswears by constantly investigating new directions for product development. Meanwhile, supply chains and the ability to replenish supplies quickly were enhanced, while online and offline resources were integrated and online franchise stores or dedicated websites for sportswear brands were be developed through cooperation with e-commerce operators, in a diligent and cautious move amid pressures to prepare the industry for further recovery.

In the period ahead in 2015, the sportswear industry needs to further integrate the traditional channel model with the advanced e-commerce model by reorganizing its business distribution and consolidating existing resources, leveraging the broad market prospects afforded by the Internet and e-commerce technologies, endeavouring to balance production capacity and supply and expand the consumers' market on the back of the government's policy support. Traditional brand operators need to work together to seek innovation and facilitate reform, in order to drive the transformation and upgrade of the industry. Major efforts should be made to enhance innovative product design, brand reputation, users' experience and market competitiveness, as well as the operating efficiency and management control of brand companies, with a view to ushering in a growth cycle for the industry.

BUSINESS REVIEW

In 2014, the Group sustained a secure and healthy business network with sound financial income as it proactively adjusted the pace of its business development, improved its sales channels and conducted effective promotion of its brand and product reputation.

Brand Building and Marketing

PRC — Kappa brand

During the second half of 2014, the Group continued to conduct its brand and event promotion through a combination of online and offline channels and leveraged its vigorous cooperation with social media as well as fashion and sports media to publish product and brand information, achieving notable results in terms of the enhancement of brand exposure and reputation.

During the second half of 2014, Kappa continued to thrive in terms of soft text and product placement. In July, Kappa joined forces with fashion magazine *BAZAAR Men* to place advertisements of Kappa World Cup Tees and other soccer products and accessories in *BAZAAR Men's* "World Cup Frenzy" theme. Under the World Cup theme, product promotion was conducted in the manner of major movie-making, where creative expressions imparted a trendy character and sense of high quality material when the clothes were showcased. In September, Kappa products were showcased by models under the theme of "The Storm of Menswear" of *FHM*. In October, Kappa products featured in the cover story of *Size Trendy Life Magazine* (《Size潮流生活》), where the Kappa KOMBAT Series were showcased by Mainland celebrities Wang Chuanjun and Zhang Zixuan so that more readers could come to appreciate Kappa's latest products, fashion concepts and mix-and-match ideas. Elsewhere, advertisements were also placed in *Mens Style*, *Rayli*, *Self*, *Trends Health*, *Harper's Bazaar*, *Ceci* and other magazines.

Size Trendy Life Magazine promotions

Kappa Bubble Soccer

Meanwhile, Kappa continued to make more penetrating efforts in offline marketing and promotion during the second half of the year and achieved admirable results in its collaboration with online social media such as Weibo and WeChat. The nationwide roadshow of the offline event "Kappa Bubble Soccer" commenced on 6 September in the four major cities of Shenzhen, Nanjing, Taiyuan and Dalian with enthusiastic response, as consumers were offered a lively experience of Kappa. Through participation in the Bubble Soccer Game, consumers personally experienced the appeal of bubble soccer and the fun of "Dongxiang" sports at selected shopping malls, in addition to fine prizes given out through interactive games on WeChat. The event was well received by the local markets and effectively refreshed the Kappa brand image.

PRC — Robe Di Kappa brand

During the second half of 2014, RDK increased its interaction with consumers on the Internet by communicating product concepts and dynamic information in a timely manner via social media such as Weibo and Wechat, as well as popular online shopping websites such as TMALL, SHANGPIN, MEI.COM. Meanwhile, it continued to advertise on the aesthetic concept through products design and promotion events, as new RDK products were launched by way of a fashion show as part of the "Magnitude of Fashion" Fall Promotion at the Oriental Plaza. RDK brings to consumers the power of independence, confidence, self challenge, as well as the power of innovation imparted in the genes. In the "Beauty Wardrobe Event" of Oriental Plaza, RDK leveraged fully its online and offline strengths by handling mix and match and style design offline for display and dissemination on the Internet media, resulting in positive exposure of the products and the brand, as well as further influence on consumers' disposition and among sporting apparel brands.


ROBE DI KAPPA

Japan Kappa brand magazine advertisements

Japan — Kappa brand

During the second half of the year, Kappa Japan organized a number of high-profile charities and welfare events, as well as a Thanksgiving contest and marketing campaigns. Such activities have significantly enhanced Kappa's brand influence and reputation in Japan. The Kappa Japan team enhanced brand promotion by organizing a friendly match between Consadole Sapporo and Consadole Asahikawa soccer teams, and the JEF (Japan Equestrian Federation) friendly tournaments. At the Hokkaido stadium where the friendly match between Consadole Sapporo and Consadole Asahikawa soccer teams was played, services were provided and Kappa stationery gift sets were given out to children attending the event, while officials at the match were wearing Kappa-sponsored apparel and Kappa merchandise were also available for sale. Through the match and the complementary activities, Kappa has successfully captured attention in the media and among the audience to reinforce customers' satisfaction and loyalty for Kappa Japan.

In the meantime, the Kappa Japan team continued to leverage the celebrity effect by publishing information on celebrity athletes, including soccer star Shinji Ono and Inamoto whom participated in the JEF Playoff, wearing sports apparel with the Kappa logo in magazines such as *Sports Nippon and Nikkan Sports*. Brand exposure has been further increased as a result.

In terms of product promotion, the Kappa Japan team placed advertisements in different types of sports and popular magazines according to product types (such as general training and golf) and varying features. Through displays by models and influential, credible advertising language, a larger group of Kappa fans have been provided with useful information and encouraged to monitor Kappa sportswear products more closely.

Japan — Phenix brand

In 2014, the Phenix Japan team continued to promote products using the marketing method adopted in the first half of the year, namely, to place advertisements in different types of magazines by matching the concepts and functions of its sports brand with the thematic features of various media. Such advertisements have further highlighted the unique professional qualities, functionality for extreme sports and fashionable beauty of Phenix products and enhanced the popularity of the Phenix brand in Japan.

Japan — Inhabitant brand

In 2014, the Inhabitant Japan team continued to sponsor various types of charities and entertainment events, such as the EXTREME X MUSIC rock and roll festival, the HOT FIELD 2014 music festival and the RESORT STAGE ski-board contest, etc to enhance the exposure of the brand and its products, so as to project the characteristics of this young and fashionable brand in a richer and more visible manner. Through on-site promotion and display by models at sales promotion in hypermarkets and various types of entertainment, cultural or sporting events, consumers were given exposure to a brand new concept in sports apparel and a more subtle user's experience.

Product Design and Research and Development

Kappa KOMBAT Series

The Kappa KOMBAT Series presents "combat wear" that embodies power and character. Underpinned by the avant-garde combination of multiple features, such as the incorporation of specialist designs in daily apparel and the 3D slim-fit cutting, it displays a unique personality as a fashion line in essence that has also retained the sporting gene. The smart-looking K-Kombat Series sets the trend with a cocoon-shaped cutting that runs shorter at the front and longer in the rear. Knit pants in the Fall and Winter collection also feature 3D cuttings for a decent fit, while the unique loose fit cutting improves the profile of the upper body. Leopard stripes or colour-clashed zippers are adopted in certain styles to enhance character and fashion; while the winter down jacket wear features the popular large profiles and colour blocks that provide a loose shield for the high-quality feather contents of the jacket to highlight its richness, making the jacket a trendy choice for protection against severe weather.

Kappa K-STAR Series

In the K-star Series, the large-block number imprint extensively used in men's wear is inspired by the vehicle plates of the European Union ("EU"), while the OMINI surrounded by the star in the EU emblem found on the sleeves of ladies' wear also draws its inspiration from the EU vehicle plate. Such details in design testify the uniqueness of the K-star Series, while paying tribute to the classic. This series features creative styles, such as the long 3D stereotype which has a trimming effect while showing a strong ability to accommodate. The hoodie design ensures that you are kept warm in a perfect way. The Kappa 2014 K-STAR Series has combined the historical elements of the brand with trendier ones to create a classic fashion.

ESSENTIAL Series

Kappa's interpretation of fashions and trends has always been underpinned by its fresh, natural and carefree style. Minimal yet subtle, the Kappa Essential Series leveraged Kappa's proprietary colors to create the enduring classic of simple and carefree styles. The classic back-to-back stereotype combines with neat designs and the trademark triangular LOGO for a respectable minimalist appearance. The neatly trimmed stereotype is enhanced by colourful varieties combining the classic KWK stripes to meet the diverse needs of fashionistas for mix and match. For the pants, the fashion element goes down to details such as the drawstrings and back pocket, which are adorned by clashing colours, while OMINI shows off its artistic qualities with glittering printed patterns.

ESSENTIAL + Series

This series breathes youthful energy by incorporating the trendy baseball element. The baseball-style cotton and down jackets are fashionable as much as functional, eye-catching while keeping the body warm to assure good wearability. With a strong focus on the handling of details to highlight product quality in line with fashionable trends, as well as the availability of a variety of color mix, such as the combination of bright tones with subtler ones, the series offers ideal choices for youngsters.

Accessories Series

Kappa has designed a full range of smart-match looks customized for fashionistas. Whether you opt for fresh and natural looks or want to highlight your unique character, you will always find a fashionable style that befits you. In products ranging from heavily decorated items to the Kombat series, the essence of fashion is powerfully manifested. The mainline design of caps is inspired by the polar light, represented by clashing fluorescent stripes intertwined with patterned fabric reminiscent of colourful bright lights at the edge of the sky. It imparts a sense of fashion and mystery in life and sports that turns you into an instant focus in the street on a cold winter day. There are a variety of colour choices to meet different needs and match with neck warmers in the same series. In addition, the uniquely exquisite knit hat, the versatile snapback and the very much individual baseball cap will feature perfectly with trendy dresses of any type in full expression of the taste and character of the fashionista.

Shoes Series

The classic retro running shoes series features a large sole made of a mixture of three shock-absorbing materials for comprehensive enhancements in stability and comfort. The significantly improved lightness afforded by the new, ultra-light mould-pressed EVA material makes it an indispensable companion for travels and outings. The new design that features a combination of national colours and suede materials imparts stronger qualitative perception and fashion sense. The reflection material used on the edge of the K logo, the toe and the heel is an example of good taste in the details.

Board shoes made of suede material with an extremely strong sense of material allowing mix-and-match at will are a fine testament of good taste. The clean, neat and fresh colours are a perfect match for the campus life, while the sole are made of stable and light materials featuring a Louvre Pyramid-like structure affords maximum comfort in wearing. The combination of fashion and comfort will meet a diverse range of mix-and-match requirements of the fashionista.

In 2014, the Japan team continued to make contributions in research and development by strengthening research on details and conducting sophisticated development of zippers, sewing techniques, rain and wind protection functions based on past technologies in response to specific outdoor needs. Such research efforts have provided solid functional support for the fashion products in a fine interpretation of the functionality of sports and the fashion element of functionality.

Upgrading our retail network

During the period under review, the Group continued to optimise its sales network and store efficiency, assessed its store network and made adjustments accordingly. As at 31 December 2014, the Group had a total of 1,210 Kappa retail stores operated directly or indirectly under the China segment. The distribution network of retail stores covered all major provincial capital cities and other major cities and townships in China.

In the second half of 2014, the number of retail stores directly or indirectly operated by 7 self-owned subsidiaries of the Group increased to 350, and the number of franchise stores was expanded to 38. As such, the Group has further developed the coverage of its self-owned retail network and consolidated its self-operating business, resulting in notable revenue for the Group.

In 2014, the development of the e-commerce market remained robust. On the back of the positive effect of destocking efforts in the previous period, the Group further increased the online supply ratio for new and special online items, as well as enlarged the percentage share of self-owned online businesses. Through the development of special online products, the sales mix of online products has been optimized and gross profit margin were improved, while our product and brand reputation has also been gradually enhanced as a result. Promotion and festive events were also organized in association with e-commerce partners to further explore the market and appeal to more consumers.

Maximizing contributions of the Group's projects

In an exploratory, transitional period for the industry, the Group made preemptive moves and embarked on reform and innovation in a prudent yet astute manner. China Dongxiang is well aware that progress must be made if it wants changes to the present conditions during a low cycle of the industry, and that market expansion must be sought if it wants to fortify its foothold. While assuring stable growth for its core business, the Group also increased its focus on and input in external investment projects in 2014, and achieved positive results in this regard. Through proactive efforts to identify and examine investments from a prospective point of view, the Group prudently participated in projects with long-term development space. Our investment in Alibaba and its related business projects indicates our focus and emphasis on the e-commerce sector. Facts speak for themselves as the Group reaped awards both in business and financial terms in the forms of positive partnerships and sound income. In the meantime, the Group has been monitoring on a long-term basis emerging industries and the consumer sector which hold out potential for rapid growth, seeking to secure sound development opportunities for development in future through effective use and consolidation of the Group's existing resources and strengths, in a bid to maximise financial gains for shareholders.

OUTLOOK

In 2014, China Dongxiang welcomed the spring time of gradual market recovery and confirmed a sound development trend for steady progress in future, having survived a period of industry doldrums and volatile market conditions by adopting a range of reforms and innovative measures on the back of the concerted effort of its staff. The Group will continue to develop new products and reinforce its image as a classic brand in a firm commitment to its product philosophy of "sports, fashion, sexiness and style." On this basis, we will sincerely examine the new propositions and demands of consumers and blend the latest fashion elements to impart garment tastes and the sporting attitude in consumer and every member of the "pragmatic, innovative and passionate" people of Dongxiang.

In order not to disgrace our mission, we should avoid complacency and recklessness. In the new year, the Group will focus on "stability" and "innovation" in an ongoing attempt to optimise its existing business and strengthen its existing business model of "self-owned retail outlets + dealership + franchise chain" to increase sales and improve outlet efficiency. We will also endeavour to refine our brand name and develop new products to provide consumers with more desirable choices and fulfill individual needs. The integration of online and offline businesses will be underpinned by efforts to expedite the rollout and development of e-commerce channels, improve efficiency of logistical distribution and response to market information, and optimise and strengthen mutual support and coordination between supply chains and logistics.

In our commitment to an aggressive approach to business, we tend to be in industrious in preparations and prudent in actions. In the new year, the Group will be engaged in ongoing efforts to develop new models, experiment new methods, broaden new thinking, explore new opportunities and frontiers for development in search for change and progress, with the aim of securing better opportunities for development, opening broader prospects for development, achieving greater return and profit for the Group, and sincerely rewarding shareholders and everyone who has been supporting Dongxiang all along.

FINANCIAL REVIEW

The sales of the Group in 2014 was RMB1,262 million, decreased by 10.7% as compared to RMB1,414 million in 2013. Profit attributable to equity holders in 2014 was RMB915 million, increased by 335.7% as compared to RMB210 million in 2013.

Key Financial Performance by Segments

		Group (Note 3) For the year ended 31 December			China Segment (Note 1) For the year ended 31 December			Japan Segment (Note 2) For the year ended 31 December		
		2014	2013		**2014**	2013		**2014**	2013	
	Note	**RMB million**	RMB million	**Change**	**RMB million**	RMB million	**Change**	**RMB million**	RMB million	**Change**
Key items of consolidated income statement										
Sales		**1,262**	1,414	–10.7%	**828**	904	–8.4%	**434**	510	–14.9%
Gross profit (before reversal of impairment losses of inventories)		**640**	681	–6.0%	**495**	499	–0.8%	**145**	182	–20.3%
Operating profit	3	**989**	225	339.6%						
Profit attributable to equity holders of the Company	3	**915**	210	335.7%						
		RMB cents	RMB cents							
Basic and diluted earnings per share		**16.61**	3.82	334.8%						
		%	%	% pts	**%**	%	% pts	**%**	%	% pts
Profitability ratios										
Gross profit margin (before reversal of impairment losses of inventories)		**50.7%**	48.2%	2.5	**59.8%**	55.2%	4.6	**33.4%**	35.7%	–2.3
Operating profit margin		**78.4%**	15.9%	62.5						
Effective tax rate		**6.3%**	26.2%	–19.9						
Net profit margin		**72.5%**	14.9%	57.6						
Key operating expenses ratios (as percentage of sales)										
Sales expenses		**12.1%**	7.9%	4.2	**16.2%**	7.9%	8.3	**4.5%**	7.9%	–3.4
Advertising and marketing expenses		**4.9%**	3.1%	1.8	**4.6%**	3.2%	1.4	**5.4%**	2.9%	2.5
Employee salary and benefit expenses		**11.3%**	10.8%	0.5	**11.7%**	11.0%	0.7	**10.6%**	10.6%	0
Design and product development expenses	3	**3.6%**	3.4%	0.2						
		in days	in days	in days	**in days**	in days	in days	**in days**	in days	in days
Working capital efficiency ratios										
Average trade receivable turnover days	4	**94**	96	–2	**96**	103	–7	**91**	85	6
Average trade payable turnover days	5	**89**	68	21	**76**	52	24	**104**	88	16
Average inventory turnover days	6	**122**	122	0	**141**	139	2	**104**	102	2
Asset ratio										
Current ratio	7	**18.0**	16.8	1.2	**26.9**	25.4	1.5	**2.4**	2.0	0.4

Notes:

1. The China segment principally represents the wholesale of sport-related products under Kappa Brand in China and Macau. It also includes the international business under Kappa Brand as well as domestic businesses under the Phenix brand and RDK brand.

2. The Japan segment principally represents the sales of sport-related products under the Kappa, Phenix and other brands in Japan.

3. The Group results represent the aggregation of the results of the China segment and Japan segment. There are certain financial income and distribution costs (eg. design and product development expenses) that cannot be allocated or split into the China segment and Japan segment. Thus, the calculations of segmental operating profit, segmental profit attributable to equity holders as well as segmental design and products development expenses as a percentage of sales are not meaningful.

4. Provision for inventories is included in costs to sell in accordance with International Financial Reporting Standards. The Group is in the opinion that for the ease of comparative analysis, gross profit before reversal of impairment losses of inventories would be more reasonable for comparison.

5. Average trade receivable turnover days equal to the average of the opening and closing trade receivable balances divided by sales and then multiplied by the number of days in the relevant periods.

6. Average trade payable turnover days equal to the average of the opening and closing trade payable balances divided by cost of goods sold and then multiplied by the number of days in the relevant periods.

7. Average inventory turnover days equal to the average of the opening and closing inventory balances divided by cost of goods sold and then multiplied by the number of days in the relevant periods.

Investment segment

Investment segment was identified as a reportable segment for the year ended 31 December 2014, because the chief operating decision maker reviews the Group's internal reporting regarding investment activities in order to assess performance and allocate resources separately.

As at 31 December 2014, our balance of investments in available-for-sale financial assets are of RMB4,580 million, increased by RMB1,356 million as compared with that as at 31 December 2013. The increase was mainly because the fair value increment of shares of Alibaba Group Holding Limited (NYSE: BABA), held through Yunfeng e-Commerce A Fund, L.P. and Yunfeng e-Commerce B Fund, L.P. as well as the additional investment in certain available-for-sale financial assets.

Other gains for year 2014 is of RMB910 million, increased by 716 million as compared with that for year 2013. The increase is mainly attributable to the substantial gain from the disposal of 30% interests in the Group's investment in the shares of Alibaba Group Holding Limited (NYSE: BABA), which is held through Yunfeng e-Commerce A Fund, L.P. and Yunfeng e-Commerce B Fund, L.P..

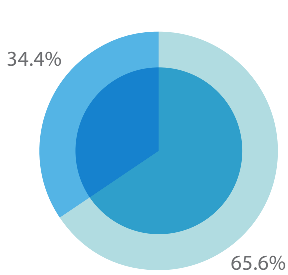
Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Year ended 31 December						
	2014			2013			
	RMB million	**% of product/ brand mix**	**% of Group sales**	RMB million	% of product/ brand mix	% of Group sales	**Change**
CHINA SEGMENT							
Kappa Brand							
Apparel	**583**	**71.2%**	**46.2%**	634	73.6%	44.8%	–8.0%
Footwear	**210**	**25.6%**	**16.6%**	199	23.1%	14.1%	5.5%
Accessories	**26**	**3.2%**	**2.1%**	28	3.3%	2.0%	–7.1%
Kappa Brand total	**819**	**100.0%**	**64.9%**	861	100.0%	60.9%	–4.9%
International business, RDK and others	**9**		**0.7%**	43		3.0%	–79.1%
CHINA SEGMENT TOTAL	**828**		**65.6%**	904		63.9%	–8.4%
JAPAN SEGMENT							
Phenix Brand	**294**	**67.7%**	**23.3%**	345	67.6%	24.4%	–14.8%
Kappa Brand	**140**	**32.3%**	**11.1%**	165	32.4%	11.7%	–15.2%
JAPAN SEGMENT TOTAL	**434**	**100.0%**	**34.4%**	510	100.0%	36.1%	–14.9%
THE GROUP TOTAL	**1,262**		**100.0%**	1,414		100.0%	–10.7%

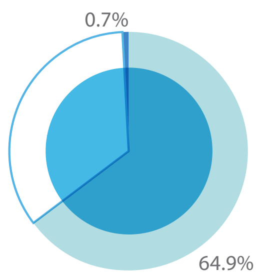
Sales analysis by geographical segments

The Group



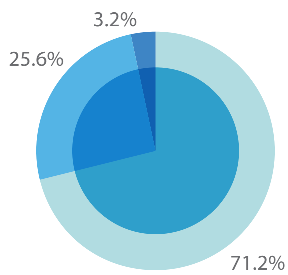
Sales analysis by business

China Segment



Sales analysis by products categories

Kappa Brand (China Segment)



65.6% China Segment
34.4% Japan Segment

64.9% Kappa
0.7% International Sourcing, RDK and Others

71.2% Apparel
25.6% Footwear
3.2% Accessories

China Segment

Total sales from the Kappa brand business, the core business of the Group, in 2014 was RMB819 million, decreased by RMB42 million from RMB861 million in 2013.

In order to cope with market pressure in 2014, the Group keenly transformed its philosophy of sales from being passive to being active. We identified terminal sales performance of each products and demands of consumer by analyzing sales data of retail stores on a regular basis, with an aim to respond forthwith, maintain rolling order for fast-moving products for ensuring adequate supply for customers, eliminate slow-moving products in due course for minimizing loss. In addition, our capacity of design, research and development has been enhanced so as to introduce a broad range of products for addressing the demands of young consumers. Having implemented a series of effective measures, the Group has successfully maintained its revenue stable, put a stop to sliding revenue for years in a row. On the other hand, adjustments have been made on terminal retail stores, including self-owned retail stores, through cooperation with our distributors, by closing down a number of stores with low efficiency while increasing the number of new stores. The number of Kappa brand retail stores increased to 1,210 as at 31 December 2014 from 1,183 as at 31 December 2013, the net increase of 126 recorded in the second half of 2014. Meanwhile, thanks to the enhancement of management and control on terminal retail stores by the Group, the efficiency of the stores has been substantially lift.

Japan Segment

Sales from Japan segment in 2014 decreased by RMB76 million to RMB434 million from RMB510 million in 2013. The decrease in sales of Japan segment was mainly due to the significant depreciation in Japanese Yen, slow sales in Japanese market and increase in sales return as compared with the corresponding period last year.

Sales of Kappa brand products in China segment analyzed by sales channels

	Year ended 31 December				
	2014		2013		**Change**
	Sales RMB million	**% of sales of Kappa brand**	Sales RMB million	% of sales of Kappa brand	
Wholesale	**534**	**65.4%**	700	81.3%	–23.6%
Retail	**285**	**34.6%**	161	18.7%	76.7%
Total of Kappa brand	**819**	**100.0%**	861	100.0%	–4.9%

Sales of Kappa brand products via wholesale channel in China segment decreased by RMB166 million to RMB534 million in 2014 from RMB700 million in 2013, representing 65.4% of the total sales of Kappa brand in China segment in 2014 as compared with 81.3% in 2013.

As at 31 December 2014, the number of self-owned retail stores operated by our subsidiaries reached 350. Sales via retail channel increased by RMB124 million to RMB285 million in 2014 from RMB161 million in 2013, representing 34.6% of the total sales of Kappa brand in China segment in 2014 (2013: 18.7%).

Analysis of unit average selling prices and total units sold of Kappa Brand products in China Segment

	Year ended 31 December					
	2014		2013		**Change**	
	ASP RMB	**Total units sold in '000**	ASP RMB	Total units sold in '000	ASP	Total units sold
Apparel	**159**	**3,564**	132	4,478	20.5%	–20.4%
Footwear	**185**	**1,105**	155	1,191	19.4%	–7.2%

Notes:

1. Average selling price per unit represent the sales for the period divided by the total units sold for the period.

2. Accessories cover a wide range of products that vary significantly in terms of average selling price per unit. We believe that the average selling price per unit analysis of this product category is not meaningful.

In 2014 and 2013, average selling prices per unit for apparel products were RMB159 and RMB132 respectively, and average selling prices per unit for footwear products were RMB185 and RMB155 respectively. Slight increases in average selling prices of apparel products and footwear products were mainly due to increase in share of sales of seasonal new products and increase in revenue from self-owned retail business.

Total units sold for apparel and footwear products in 2014, fell by 20.4% and 7.2%, respectively, as compared to the same period last year, which were primarily due to our initiative to decrease the distributors' target of sales orders for easing their inventory pressure and time difference of sales recognition between retail business and wholesale business.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group has dropped by RMB112 million to RMB621 million in 2014 (2013: RMB733 million).

In 2014, our gross profit before reversal of impairment losses of inventories has dropped by RMB41 million to RMB640 million (2013: RMB681 million). Our overall gross profit margin before reversal of impairment losses of inventories in 2014 rose by 2.5 percentage points to 50.7% from 48.2% in 2013.

The gross profit margin analyzed by geographical, business and product category are detailed as follows:

	Year ended 31 December		
	2014 Gross profit margin	2013 Gross profit margin	**Change** % pts
China segment	**59.8%**	55.2%	4.6
Kappa Brand:			
Apparel	**62.2%**	58.9%	3.3
Footwear	**55.2%**	50.7%	4.5
Accessories	**63.1%**	63.1%	0.0
Kappa Brand overall	**60.5%**	57.2%	3.3
Japan segment	**33.4%**	35.7%	–2.3
Group overall	**50.7%**	48.2%	2.5

* Before reversal of impairment losses of inventories

Gross profit margin of Kappa Brand in China segment in 2014 rose by 3.3 percentage points to 60.5% from 57.2% in 2013. Such rise was mainly due to higher profit margin of new products maintained in 2014, with such new products taking up a higher proportion of the sales. Also, our self-owned retail business has kept an increased proportion of our sales.

Gross profit margin of Japan segment in 2014 was 33.4%, dropped by 2.3 percentage points as compared to 35.7% in 2013. Such decrease was mainly due to increase in production costs and increased discount offer for off-season inventory clearance.

Other Gains, Net

Other gains in 2014 was RMB910 million (2013: RMB194 million), of which RMB731 million was gain on disposal of financial assets, RMB280 million was income derived from the investment in financial assets.

Provision for Impairment of Available-for-sale Financial Assets

In 2014, the Group made fair value assessment on its available-for-sale financial assets in accordance with its accounting policy. In accordance with the assessment, the Group has not made further provision for impairment of available for-sale financial assets.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and marketing expenses, sales expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses in 2014 was RMB602 million (2013: RMB653 million), constituting 47.7% of the Group's total sales, increase of 1.6 percentage points as compared with that in 2013. The Group has further optimized resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

As a result of necessary adjustments made in internal organizational structure and human resources, efficiency of all staff members has increased, and our overall staff costs dropped by RMB10 million to RMB143 million in 2014 from RMB153 million in 2013;

In 2014, advertising and marketing expenses increased by RMB37 million to RMB81 million from RMB44 million in the same period last year. Moderate increase in advertising and marketing expenses during the period has improved market awareness of our brands;

In 2014, sales expenses increased by RMB22 million to RMB134 million from RMB112 million in 2013, such increase was mainly due to the opening of 7 retail subsidiaries of the Group in the second half of 2013, increasing retail related sales expenses;

In 2014, logistics and transportation fee decreased by RMB5 million to RMB66 million from RMB71 million in 2013. Inventory in the period has been further reduced by conducting further stock clearance for offseason products and adopting the sales method of "sales order + repunishment order" for new products. In addition, optimization and consolidation of procedures for stock transportation have cut down logistics fee;

In 2014, the Group took a more cautious approach in the investment in product development, which mainly drew on the Group's internal design resources. In 2014, our design and product development expenses was RMB45 million (2013: RMB48 million).

Operating Profit

In 2014, operating profit of the Group was RMB989 million (2013: RMB225 million). The operating profit margin was 78.4% in 2014 (2013: 15.9%).

Finance Income, Net

In 2014, finance cost net of the Group amounted to RMB14 million (2013: finance income net of RMB50 million) and interest income from bank deposit was RMB7 million (2013: RMB54 million), while foreign exchange losses in 2014 was RMB18 million (2013: RMB1 million).

Taxation
In 2014, income tax expense of the Group amounted to RMB62 million (2013: RMB72 million). The effective tax rate was 6.3% (2013: 26.2%).

Profit Attributable to Equity Holders of The Company and Net Profit Margin
Profit attributable to equity holders of the Company in 2014 was RMB915 million (2013: RMB210 million), and net profit margin of the Group was 72.5% (2013: 14.9%).

Earnings Per Share
The basic and diluted earnings per share were both RMB16.61 cents in 2014, increased by 334.8% against the basic and diluted earnings per share of RMB3.82 cents in 2013.

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

Final dividend and Final Special Dividend
The Company has paid an interim dividend and interim special dividend for the six months ended 30 June 2014 of RMB0.52 cent and RMB0.70 cent per ordinary share, respectively, with a total amount of RMB67,544,000.

The Board of the Company has recommended the distribution of a final dividend and a final special dividend of RMB4.44 cents and RMB5.91 cents per ordinary share, respectively (totalling RMB10.35 cent per ordinary share) for the year ended 31 December 2014.

The final dividend and final special dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2015, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.7916 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 24 March 2015. The dividend will be paid on or about 5 June 2015 to shareholders whose names appear on the register of members of the Company on 29 May 2015.

Closure of Register of Members for the Entitlement of Final Dividend and Final Special Dividend
The Register of Members of the Company will be closed from 27 May 2015 to 29 May 2015 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2014 final dividend and final special dividend. In order to qualify for the 2014 final dividend and final special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 26 May 2015.

FINANCIAL POSITION
Working capital efficiency ratios
China Segment
Average trade receivable turnover days in 2014 and 2013 were 96 days and 103 days, decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable.

Average trade payable turnover days in 2014 and 2013 were 76 days and 52 days respectively. Increase in average trade payable turnover days was primarily due to decrease in costs carried forward resulting from drop in sales for the year.

Average inventory turnover days in 2014 and 2013 were 141 days and 139 days respectively. Average inventory turnover days in the two years were substantially the same due to our proactive stock clearance for off-season products via various channels as planned in the year, resulting in a more healthy and reasonable inventory structure.

Japan Segment
Average trade receivable turnover days and average trade payable turnover days were 91 days and 104 days, respectively in 2014 as compared to 85 days and 88 days, respectively in 2013. Average inventory turnover days were 104 days in 2014 as compared to 102 days in 2013.

Liquidity and financial resources

As at 31 December 2014, cash and bank balances (including long-term deposits) of the Group amounted to RMB2,546 million, an increase of RMB1,449 million as compared to a balance of RMB1,097 million as at 31 December 2013. This increase mainly due to 1) a redemption of capital guaranteed treasury products issued by banks of RMB1,471 million; 2) payment of 2013 final dividend and final special dividend as well as 2014 interim dividend and interim special dividend for an aggregate amount of equivalent to approximately RMB150 million; 3) cash inflow from operating activities of approximately RMB33 million; 4) investment on financial assets of approximately RMB1,807 million; 5) gains on disposal or divestment of available-for-sale financial assets of approximately RMB1,662 million; 6) gains on banking treasury products of approximately RMB200 million.

As at 31 December 2014, net assets attributable to our equity holders was RMB10,340 million (31 December 2013: RMB8,609 million). The Group's current assets exceeded current liabilities by RMB4,992 million (31 December 2013: RMB4,910 million). The Group also had a very strong liquidity position. The current ratio as of 31 December 2014 was 18.0 times (31 December 2013: 16.8 times).

As at 31 December 2014, the Group had no outstanding bank loans or other borrowings.

Investments in Available-For-Sale Financial Assets

As at 31 December 2014, our balance of investments in available-for-sale financial assets was RMB4,580 million, an increase of RMB1,356 million as compared with the balance of RMB3,224 million as at 31 December 2013. Such increase was mainly due to value appreciation of shares in Alibaba Group Holding Limited (NYSE: BABA) held by Yunfeng E-Commerce Funds which the Group has invested on as well as increase in investment on certain available-for-sale financial assets.

Pledge of assets

As at 31 December 2014, the Group had approximately RMB53 million (31 December 2013: RMB52 million) were held in banks as guarantee deposit for the issue of letters of credit.

Capital commitments and contingencies

In May 2013, the Group entered into a limited partnership agreement with Yunfeng Fund LP II, pursuant to which the Group subscribed a capital contributionship of USD20 million. In May 2014, the Group entered into a capital contribution transfer agreement with another limited partner of Yunfeng Fund LP II, increasing the Group's capital contribution to USD30 million. As at 31 December 2014, the Group paid a capital contribution of USD11.5 million with remaining balance of USD18.5 million (equivalent to approximately RMB113 million) as capital commitments.

In December 2014, the Group entered into a limited partnership agreement with Beijing Sequoia Shangye Investment Management Company with a total capital commitment of RMB50 million. As at 31 December 2014, the group has paid RMB25 million with remaining balance of RMB25 million.

Foreign exchange risk

The functional currency of the Company is US Dollars owing to the fact that its business is transacted in US Dollars. During the Global Offering in October 2007, the Company received its proceeds in HK Dollars. The proceeds were either deposited in bank accounts denominated in HK Dollars or converted into US Dollars and deposited in bank accounts denominated in US Dollars. As a result, the exchange differences arising from appreciation or depreciation of the US Dollars against the Company's HK Dollars bank deposits, were recognised as exchange gains or losses in the Company's income statement. The exchange gains or losses were not significant because HK Dollars are pegged to US Dollars. The Company's financial statements expressed in US Dollars were translated into Renminbi for the Group's reporting and consolidation purposes. The foreign exchange differences from the translation of financial statements are not recognised in the income statement. Instead, it should be recognised as a separate component of equity of the Group.

The major operations of the Group were mainly carried out in the PRC and transacted in Renminbi. Except for foreign exchanges losses (gains) for the period under review mainly derived from our unutilised capital in foreign currencies in the PRC, the exchange rate risk of the Group was insignificant.

Significant investments and acquisitions

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the year ended 31 December 2014.

INVESTOR RELATIONS REPORT

The Group has always believed that the maintenance of investor relations is a long-term systematic and important task for the Group. The Group's management and investor relations team have been committed to building strong bilateral communication channels with investors. On one hand, we continue to help investors understand our business better, through transparent, accurate, and timely disclosure of our corporate financial performances and operations. On the other hand, we promote corporate integrity, self-discipline, and standardized operations, and continuously improve the Group's management and governance structure, in order to maximize corporate values and shareholders' interests.

For the year 2014, we summarize the investor relations achievements as below:

1. RESULTS ANNOUNCEMENT AND INVESTMENT SUMMITS:

Right after the announcements of the 2013 annual results and the 2014 interim results in March and August 2014 respectively, the Group announced the latest business performance, future development direction and strategies in a timely manner. Meanwhile, information in relation to our results was available on the company website in the same day, for investors' further inspection.

In addition, our top managements and investor relations team took part in investment summits, which held by investment banks, aim to enhance our interaction and communications with global investors.

2. ONGOING DAILY COMMUNICATION

In daily operation, the Group conducts multi-channel and multi-level communication with investors and analysts, which include:

- Company Visits and Telephone Conferences:

  In 2014, a total of 203 face-to-face meetings and telephone conferences were conducted with investors and analysts.

- Investors Store Visits:

  In 2014, based on the needs of our investors and analysts, and for them to better understand our operation, we arranged nearly 20 stores visits in Beijing, Hangzhou, Shanghai, Hefei, Nanjing, and etc.

- Company Website:

  We continuously and timely update Investor Relations Section in our corporate website (http://www.dxsport.com) to disseminate the Group's relevant information, so that investors can update the development about us. Meanwhile, we have investor relations e-mail box to receive inquiries and suggestions rose by investors, and responded them promptly.

- Phone Inquiry Services for Investors and Media:

  We provide phone inquiry services for investors and media, which are handled and answered by investor relations department. We ensure smooth lines within working hours, in order to provide timely answers to various issues and inquiries from shareholders, potential investors, analysts and media.

3. AGM

In accordance with the Listing Rules of the Hong Kong Stock Exchange, we organize annual general meeting, to discuss the Group's business strategies and investment plans equitably and transparently, in order to maintain and respect the legitimate rights and interests of all shareholders, especially for small and medium ones.

4. ACCOMPLISHMENTS AND PROSPECTS

In 2014, the Group was accredited for "The Best Investor Relations Management Listed Company" at the China Securities "Golden Bauhinia Awards".

Looking ahead, spearheaded by the Group's management, we will continue devoting efforts to build positive and proactive investor relations by communicating regularly with shareholders, analysts, potential investors and public groups. We will adhere to transparent, accurate, and timely manner to disseminate our latest results, and further tap into capital market, so as to construct a long-term stable and reasonable shareholder structure.

Meanwhile, we encourage all shareholders, analysts, potential investors to share with us their views and valuable suggestions about the Group via various channels, including mail, e-mail and telephone, in order for us to constantly improve our corporate operation and administration.

DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of members of our Board:

Name	Age	Position
Mr. Chen Yihong (陳義紅)	56	Chairman, Chief Executive Officer and Executive Director
Ms. Chen Chen (陳晨)	28	Executive Director
Mr. Gao Yu (高煜)	41	Independent Non-Executive Director
Mr. Xu Yudi (徐玉棣)	63	Independent Non-Executive Director
Dr. Xiang Bing (項兵)	52	Independent Non-Executive Director

EXECUTIVE DIRECTORS

Mr. Chen Yihong (陳義紅), aged 56, is our founder, chairman, chief executive officer and executive director. Mr. Chen is primarily responsible for our overall corporate strategies, planning and business development. Mr. Chen has extensive experience in the sporting goods industry in China. From 1991 to 2005, Mr. Chen was the vice-general manager, general manager and chief executive officer of Beijing Li Ning Sports Goods Co., Ltd. (北京李寧體育用品有限公司) and the executive director of Li Ning Company Limited, a company listed on Hong Kong Stock Exchange. Mr. Chen had completed an executive Master's in business administration degree from Guanghua School of Management of Peking University (北京大學光華管理學院) in 2002. Mr. Chen had completed "China CEO Program" of Cheung Kong Graduate School of Business (長江商學院) in 2009. Mr. Chen serves as an independent director of Huayi Brothers Media Corporation (華誼兄弟傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange, since 30 December 2014,.

Ms. Chen Chen (陳晨), aged 28, has been appointed as an executive director and a member of the executive committee of the Company with effect from 4 December 2014. Ms. Chen joined the Company in 2012. Ms. Chen is primarily responsible for overseeing the marketing and design of Kappa products of the Company. Ms. Chen served as product planning representative in the apparel planning team of the Company from 2012 to 2013. Ms. Chen was promoted as the manager of the marketing department and apparel design department and the vice president of the brand department in 2013. Ms. Chen obtained her bachelor's degree in Fashion Design Technology — Surface Textiles from University of the Arts — London College of Fashion, London, United Kingdom in 2010. Ms. Chen is the daughter of Mr. Chen Yihong, chairman of the Board and chief executive officer of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gao Yu (高煜), aged 41, is our independent non-executive director. He is currently the managing director of the Private Equity Division of Morgan Stanley Asia Limited, and he primarily focuses on private equity investment activities in China. He is an independent non-executive director of Belle International Holdings Limited (百麗國際控股有限公司) and a non-executive director of Sparkle Roll Group Ltd (耀萊集團有限公司), two companies listed on the main board of Hong Kong Stock Exchange. Mr. Gao is also a director of Tongkun Group Co., Ltd (桐昆集團股份有限公司), a company listed on Shanghai Stock Exchange. Prior to joining Morgan Stanley Asia Limited, he worked in Citigroup's Investment Banking Division in Asia for about five years. Mr. Gao had also worked in Donaldson, Lufkin & Jenrette Inc's Capital Markets Group in New York. Mr. Gao graduated from Stanford University with a Master's degree in engineering economic systems and operations research as well as from Tsinghua University (清華大學) in Beijing with dual Bachelors' degrees in engineering and economics.

Mr. Xu Yudi (徐玉棣), aged 63, an independent non-executive director of the Company. Mr. Xu obtained qualifications as a certified public accountant and senior auditor in the PRC. He is a senior member of the Chinese Institute of Certified Public Accountants. He obtained his master's degree in economics from the Institute for Fiscal Science Research under the State Ministry of Finance (財政部財政科學研究所). For the period between 2006 and 2011, Mr. Xu was a director of China Citic Group (中國中信集團公司), and for the period between 2009 and 2011, Mr. Xu was also the consultant of Group Strategy and Planning Department. For the period between 1994 and 2009, Mr. Xu was the vice president and general accountant of China Leasing Company Limited (中國租賃有限公司), president and chairman of Citic International Cooperation (中信國際合作公司), vice president and vice chairman of Citic Constructions Co. Ltd. (中信建設有限責任公司). Prior to that, he was a lecturer of Tianjin Commercial School (天津財貿學校) and also the officer, division chief, deputy director, deputy delegate and director of National Audit Office. He was also an intern at the Office of the Auditor General of Canada from 1983 to 1985.

Dr. Xiang Bing (項兵), aged 52, is our independent non-executive director. Dr. Xiang obtained a Doctoral degree in accounting from the University of Alberta in Canada. He has over 17 years of teaching experience in the academic field. Dr. Xiang is currently the founding dean and professor of the Cheung Kong Graduate School of Business (長江商學院).

He is an independent non-executive director, committee member of the audit committee and remuneration committee of Dan Form Holdings Company Limited (丹楓控股有限公司), HC International, Inc. (慧聰網有限公司), Enerchina Holdings Limited (威華達控股有限公司), Sinolink Worldwide Holdings Limited (百仕達控股有限公司) and Longfor Properties Co. Ltd. (龍湖地產有限公司). He is an independent non-executive director, committee member of the audit committee, remuneration committee and nomination committee of Peak Sport Products Co., Limited (匹克體育用品有限公司). All the above mentioned companies are listed on the Hong Kong Stock Exchange.

He is an independent non-executive director of Yunan Baiyao Group Co., Ltd. (雲南白藥集團股份有限公司). He is also an independent non-executive director and committee member of audit committee and strategic committee of Guangzhou Automobile Group Co., Ltd. (廣州汽車集團股份有限公司). He is also an independent director and member of audit committee of Shaanxi Qinchuan Machine Development Co., Ltd. (陝西秦川機械發展股份有限公司), all of the above mentioned companies are listed on the Shenzhen Stock Exchange.

Dr. Xiang currently serves as independent non-executive director and committee member of audit committee of E-House (China) Holdings Limited (易居（中國）控股有限公司). A company listed on the New York Stock Exchange.

Dr. Xiang also serves as independent non-executive director and committee member of audit committee and remuneration committee of Perfect World Co., Ltd., (完美時空網絡技術有限公司), a company listed on Nasdaq.

Between July 2006 and May 2013, Dr. Xiang was an independent non-executive director and committee member of audit committee, remuneration committee and nomination committee of LDK Solar Co., Ltd. (江西賽維LDK太陽能高科技有限公司). A company listed on the New York Stock Exchange.

SENIOR MANAGEMENT

Mr. Sun Jianjun (孫建軍), graduated from Beijing Institute of Economy (北京經濟學院) (now known as Capital University of Economics and Business (首都經濟貿易大學) with a Bachelor's degree in economics in 1989, and he obtained a Master's degree in business administration from China Europe International Business School. Prior to joining us, he worked for Beijing Shunmei Garment Co., Ltd. (北京順美服裝有限公司) as workshop supervisor and was then promoted to deputy factory head, responsible for sales and finance. Also, he was marketing director of Beijing Li Ning Sports Goods Co., Ltd., (北京李寧體育用品有限公司), general manager of Shanghai Edo Sports Company Limited (上海一動體育有限公司) and executive director of Renhe Oriental Investment Company (仁和東方投資公司). He has 25 years of experience in relevant industry. He joined the Group in April 2008 and is the head of Phenix Co., Ltd.

ENVIRONMENTAL PROTECTION

As a responsible global corporate citizen, the Group is profoundly aware of the importance of environmental protection to the achievement of social and business sustainability. Therefore, we have made dedicated efforts in reducing environmental pollution caused by daily business operations through a variety of measures.

A range of measures for energy efficiency and emission reduction have been continuously taken. Through the use of energy efficient lights and the installation of the internal automatic lighting control system, which turns off office lighting automatically during non-business hours to avoid lights staying on all night long, we have saved up hundreds of thousands of Kwh each year. We have also installed water conservation valves in our internal water supply equipment and our annual water consumption has reduced by 25% as a result. During winter and summer, the room temperature of the air-conditioning system is set at a reasonable level to increase air-conditioning efficiency and avoid unnecessary waste of electric power. Automatic controls have also been installed to significantly reduce the loading of electricity consumption. The Group has also conducted a general stock-taking in respect of its fixed assets, whereby idle assets have been reallocated for use and unnecessary acquisitions of new assets have been minimized to enhance effective utilisation of assets and realise resource conservation. The Group has also persisted in battery sorting and recycling to avoid secondary pollution of soil.

Employees are encouraged to use the Group's shuttle bus and public transportation instead of driving their private cars in their daily commuting, so as to reduce the impact of tailpipe emission on the environment.

STAFF DEVELOPMENT

Human resources represent important strategic resources for modern enterprises that play a vital part in the improvement of management efficiency and the enhancement of productivity. As China Dongxiang Group drives forward in the fast lane of business development, great importance has been attached to the development of the human resource management system and the cultivation of high-calibre personnel.

OPTIMIZATION OF GROUP ORGANIZATION AND STRUCTURE

China Dongxiang has continuously taken actions to optimize its internal organization and structure as well as streamline its business processes in timely response to market changes. Staff headcount has been increased for key businesses while streamlined for back-office functions through optimization of corporate organization and structure and implementation of the Company's development strategy, in a bid to enhance efficiency and improve our operating results.

IMPROVEMENT OF PERFORMANCE MANAGEMENT SYSTEM

In its practice of performance management, China Dongxiang Group seeks in a proactive manner to draw lessons from past experiences, correct any shortcomings and optimize its performance management policy. While meeting the needs of business development, we also aim to practice succinct, pragmatic and highly efficient management, such that our performance management system embodies appraisal concerns which are results-oriented, while providing effective incentives in organization management.

STAYING FOCUSED ON PERSONNEL TRAINING AND DEVELOPMENT

China Dongxiang Group has placed a particularly strong emphasis on the internal cultivation of high-calibre staff by improving its selection, appointment and retention mechanisms. Appropriate personnel have been deployed to key positions to ensure comprehensive management succession for the Company's core businesses. The Group has developed an on-going management trainee programme, whereby outstanding university graduates are recruited by selection to join specialized training regimes of the Company, in a move to stock and cultivate high-calibre personnel for all departments. Some personnel trained through this system every year are making outstanding contributions after their appointment to key positions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices. The Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31 December 2014, except one deviation from provision A.2.1 of the CG Code.

Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company deviates from this provision because Mr. Chen Yihong performs both the roles of chairman and chief executive officer since 20 October 2011. Mr. Chen is the founder of our Group and has extensive experience in sporting goods industry in China. The Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS ("MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own standard for securities transactions by directors and having made enquiries, confirmed that all the directors have complied with the required standards for the year ended 31 December 2014.

THE BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board. Pursuant to the Articles of Association and the Terms of Reference of the Executive Committee adopted by the Board, the Board has delegated the day-to-day management of the Company's business to the Executive Committee (see details in page 43 below), and focuses its attention on matters affecting the Company's overall strategic policies, finances and shareholders related matters. These include financial statements, dividend policy, significant changes in accounting policies, annual operating budget, strategies for future growth, major financing arrangements, major investments and risk management strategies.

As at the date of this Report, the Board comprises five members, of whom two are executive Directors, and three are independent non-executive Directors.

Executive Directors:
Mr. Chen Yihong *(Chairman and Chief Executive Officer)*
Ms. Chen Chen *(appointed as executive director and member of executive committee with effect from 4 December 2014)*

Independent Non-Executive Directors:
Mr. Gao Yu
Dr. Xiang Bing
Mr. Xu Yudi

With effect from 4 December 2014, Mr. Qin Dazhong resigned as chief operating officer, executive director and member of executive committee.

Biographical details of the current Directors and the relationships between the Directors are set out in the section headed "Directors and Senior Management" of this annual report. Among the members of the Board, Ms. Chen Chen is the daughter of Mr. Chen Yihong, chairman of the Board and chief executive officer of the Company.

The composition of the Board is well balanced with each director having sound knowledge, experience and/or expertise relevant to the business operations and the future development of the Group. All directors are aware of their collective and individual responsibilities to the shareholders and each ensures that he can give sufficient time and attention to the affairs of the Group. The Company has formal letter of appointment with each Directors setting out the key terms and conditions of his/her appointment. The non-executive Director is appointed for a specific term of 1 year. Such appointment shall automatically renew at the expiry and shall continue for further successive periods of one year, subject to a maximum of three years.

The Company has received confirmation from each independent non-executive Director about his independence under the Listing Rules, and continues to consider each of them to be independent.

In accordance with Article 87 of the Company's articles of association, Mr. Gao Yu and Mr. Xu Yudi shall retire from the office by rotation and, being eligible, shall offer themselves for re-election at the forth coming Annual General Meeting ("AGM").

In accordance with Article 86(3) of the Company's articles of association, Ms. Chen Chen, appointed as executive director on 4 December 2014, shall hold office until the forth coming annual general meeting ("AGM") of the Company and shall then be eligible for re-election at the AGM.

Mr. Chen Yihong (re-elected as an executive Director on 14 May 2014), Dr. Xiang Bing (re-elected as an independent non-executive director on 14 May 2014) shall hold office until they are required to retired in accordance with the Company's articles of association.

At each AGM of the Company, at least one third of the directors (or, if the number of directors is not divisible by three, such number as is nearest to and less than one third) must retire as directors by rotation, provided that every director shall be subject to retirement at an AGM at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires.

DIRECTORS' AND OFFICERS' LIABILITIES INSURANCE

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT PROGRAMME

Pursuant to CG provision A.6.5 of the Code of the Listing Rules, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant.

The Company has put in place an on-going training and professional development program for directors.

Each newly appointed director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Company also provides training to develop and refresh the directors' knowledge and skill.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has sent reading materials to directors on regulatory updates or information relevant to the Company or its business.

In August 2014, the Company, together with Norton Rose FulBright Hong Kong, organized a training session to provide the Directors with an update on the Listing Rules. In December 2014, Ms. Chen Chen had receive an director induction package organized by Norton Rose FulBright Hong Kong.

During the financial year, the Directors participated in the following training:

	Attending seminars relating to rules and regulations	Reading newspapers, journals and updates relating to the economy and business management and duties of directors
Executive Directors		
Chen Yihong	√	√
Chen Chen (Note 1)	√	√
Qin Dazhong (Note 2)	√	√
Independent Non-executive Directors		
Gao Yu	√	√
Xiang Bing	√	√
Xu Yudi	√	√

Note 1 appointed as executive director and member of executive committee with effect from 4 December 2014

Note 2 resigned as chief operating officer, executive director and member of executive committee with effect from 4 December 2014

BOARD AND COMMITTEES MEETINGS

In 2014, the Board held 5 meetings. The attendance of the directors at Board meetings, principal Board Committee meetings and Annual General Meeting ("AGM") held in 2014 is set out in the table below.

	Board meetings in 2014	Audit committee meetings in 2014	Attendance of Remuneration committee meeting in 2014	Nomination committee meeting in 2014	AGM in 2014
Executive Directors					
Chen Yihong	5/5	N/A	1/1	1/1	0/1
Chen Chen (Note 1)	1/1	N/A	N/A	N/A	N/A
Qin Dazhong (Note 2)	4/4	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Gao Yu	5/5	3/3	N/A	1/1	1/1
Xiang Bing	2/5	1/3	0/1	0/1	1/1
Xu Yudi	5/5	3/3	1/1	N/A	1/1

Note 1 appointed as executive director and member of executive committee with effect from 4 December 2014

Note 2 resigned as chief operating officer, executive director and member of executive committee with effect from 4 December 2014

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following Board Committees to oversee particular aspects of the Company's affairs. Each of the Audit Committee, Remuneration Committee, Nomination Committee and Executive Committee is governed by its respective Terms of Reference, which are available on the Company's website at www.dxsport.com. All committees are provided with sufficient resources to discharge their duties, and they are also authorised to obtain external legal or other independent professional advice if they consider it necessary to do so.

AUDIT COMMITTEE

Members: Mr. Xu Yudi (chairman), Dr. Xiang Bing and Mr. Gao Yu. The Audit Committee consists solely of independent non-executive Directors, all of whom have extensive financial experience.

Under its Terms of Reference, the duties of the Audit Committee include financial and efficiency aspects as described below. Amongst other things, the Audit Committee is required to oversee the relationship with the Company's external auditor, to review the financial information of the Company, and to review and monitor the Company's financial reporting system and internal control. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of such engagement. The Audit Committee discusses with the external auditor the nature and scope of audit and reporting obligations before the audit commences, and is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard. Apart from giving pre-approval of all audit services, the Audit Committee also develops and implement policy on the engagement of external auditor to supply non-audit services.

With respect to financial information of the Company, the Audit Committee monitors the integrity of financial statements, annual and interim reports and accounts, together with the preliminary announcement of results and other announcements regarding the Company's financial information to be made public. Apart from considering issues arising from the audit, the Audit Committee discusses any matters that auditor may wish to raise either privately or together with executive Directors and any other persons. The Audit Committee is also required to review the effectiveness of the Company's financial controls, internal control and risk management systems. In addition, the Audit Committee has to ensure co-ordination between the internal and external auditor, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function.

The Audit Committee met three times in the year of 2014. The major work performed by the Audit Committee in 2014 included:

(i) Review and recommend the Board's approval of the 2014 external audit plan and 2014 internal audit plan;

(ii) Review and recommend the Board's approval of the 2013 annual financial statements and 2014 interim financial statements;

(iii) Review of the 2014 external audit report and internal audit report;

(iv) Approval of the remuneration and terms of engagement of PricewaterhouseCoopers for the 2014 audit.

REMUNERATION COMMITTEE

Members: Dr. Xiang Bing (chairman), Mr. Chen Yihong and Mr. Xu Yudi. Among the three members, Mr. Chen Yihong is an executive Director and the remaining two members are independent non-executive Directors.

Under its Terms of Reference, the principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration, determining the remuneration packages of all executive Directors and making recommendations to the Board of the remuneration of non-executive Directors, and reviewing and approving performance-based remuneration by reference to the Company's goals and objectives.

The Remuneration Committee met one time in the year of 2014. The major work performed by Remuneration Committee in 2014 included reviewing and determining the Directors' remuneration for the year ending 31 December 2015.

NOMINATION COMMITTEE

Members: Mr. Chen Yihong (chairman), Mr. Gao Yu and Dr. Xiang Bing. Among the three members, Mr. Chen Yihong is an executive Director and the remaining two members are independent non-executive Directors.

Under its Terms of Reference, the principal responsibilities of the Nomination Committee include:

(a) to review the structure, size and composition and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive directors of the Company and review the independent non-executive directors' annual confirmations on their independence and where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent;

(d) to make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive;

(e) to seek independent professional advice to perform its responsibilities where necessary; and

(f) to report back to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so) and to prepare a summary of its work during the year for inclusion in the Company's corporate governance (including a report the policies, procedures, process and criteria it has adopted to select and recommend candidates for directorship during the year).

The Nomination Committee met one time in the year of 2014. The major work performed by Nomination Committee in 2014 included reviewing the structure, size, composition and diversity of the board, make recommendation to the Board on the selection of individuals nominal for directorships and assess the independence of independent non-executive directors of the company.

BOARD DIVERSITY POLICY

The Board adopted the board diversity policy ("Board Diversity Policy") in August 2013 in accordance with the requirement set out in the CG Code. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy.

EXECUTIVE COMMITTEE

Members: Mr. Chen Yihong (chairman), Ms. Chen Chen, Mr. Sun Jian Jun, Mr. Sun Ming, Ms. Tang Lijun, Ms. Bu Jianjun and Mr. Meng Yongli.

The Board is responsible for the overall management and performance of the Group and the approval of the long-term objectives and commercial strategy. The Executive Committee reports to the Board and is accountable for the day-to-day management of the operations and the implementation of strategy. This Committee is responsible to the Board for driving high level performance of the growth, efficiency and capability programs as well as for resources allocation. Detailed functions of the Executive Committee as delegated by the Board mainly include:

(i) to prepare and approve the specific operation plan, financial forecast and budget of each subsidiary of the Company in accordance to those of the Company as approved by the Board;

(ii) to monitor and oversee the implementation of the budget as approved by the Board;

(iii) to monitor and oversee the financial and operational performance of the Company and its subsidiaries;

(iv) to ascertain the business plan and company strategies as approved by the Board and develop specific implementation plan; and

(v) to appoint or remove senior management of the Company or any of its subsidiaries other than chief executive officer, chief financial officer and internal audit manager of the Company, and to recommend the appointment of chief executive officer, chief financial officer and internal audit manager of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the following corporate governance duties as required under the Code:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code and disclosure in the Corporate Governance Report.

During the year, the Board reviewed and considered the policy and practices of corporate governance of the Company.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The directors are responsible for the preparation of the financial statements of the Company for each financial year and ensuring that these financial statements give a true and fair view of the financial position of the Company and its subsidiaries, the financial performance and cash flows for that period. The directors are also responsible for ensuring that proper accounting records of the Company and its subsidiaries are kept at all times.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board and the Audit Committee are responsible for developing and maintaining the system of internal controls of the Group to protect shareholders' interest and to safeguard the Group's assets by setting appropriate policies and reviewing the effectiveness of major control procedures for financial, operational, compliance and risk management areas. The Board and the Audit Committee have reviewed the effectiveness of the Group's system of internal controls on all major operations, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial function, and their training programs and budget, by reviewing the internal control reports prepared by the Internal Audit and Control Department (the "IAC") and management letters submitted by external auditors. Also, the Board and the Audit Committee met with the internal auditors, the external auditors and the management to discuss findings from their works and resolution. The Board and the Audit Committee considered that the system of internal controls was operating effectively for the year ended 31 December 2014.

The IAC is responsible for assisting the Board and the Audit Committee in maintaining effective internal controls by evaluating their effectiveness and efficiency and by ensuring their continuous improvement. The IAC reported to the Audit Committee and aimed at providing reasonable assurance to the Board and the Audit Committee by ensuring the existence and effectiveness of Group's internal controls. The IAC adopted the globally recognised framework outlined by the Committee of Sponsoring Organisations of The National Commission of Fraudulent Financial Reporting (COSO) for establishing the system of internal controls and formulates an annual internal audit plan for the coming year in December each year. Audit work programs are developed based on understanding of the operations obtained from interviews with the management.

The Audit Committee reviews and approves the annual audit plan and all subsequent major changes to the plan, if any. The IAC is responsible for carrying out internal control reviews based on the approved annual audit plan. Prior to the commencement of each audit assignment, audit planning meetings are arranged with process owners to communicate the scope. Through execution of the audit work programs, the IAC inspects, monitors and evaluates the design effectiveness and the operating effectiveness of the key controls associated with the processes under review. Duties of the IAC also include regular reviews on the implementation and procedures of financial and operational activities and the system of internal controls of the Group. The IAC has unrestricted access to any information relating to the Group's risk management, control and governance processes. The IAC submits the audit findings together with rectification and improvement plans to the Audit Committee and the management and maintains regular communication. It regularly tracks all audit findings and performs follow-up to ensure all matters are implemented in accordance with the rectification and improvement plans.

EXTERNAL AUDITOR

The Company has engaged PricewaterhouseCoopers ("PwC") as its external auditor. In order to maintain PwC's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, the Audit Committee, under its Terms of Reference, pre-approves all services to be provided by PwC and discusses with PwC the nature and scope of their audit and reporting obligations before the audit commences.

The remuneration paid or payable to the Group's independent auditor, PricewaterhouseCoopers, and its affiliated firms, for services rendered is broken down below:

	2014 **RMB'000**
Statutory audit	**2,500**
Non-audit services	**2,183**
Total	**4,683**

The non-audit services mainly comprised tax compliance, interim review services and certain agreed upon procedure work. The responsibilities of the independent auditor with respect to the 2014 consolidated financial statements are set out in the section "Independent Auditor's Report" on pages 55 to 56.

COMPANY SECRETARY

Ms. Wai Pui Man, the Company Secretary of the Company, confirmed that she has taken no less than 15 hours relevant professional training during the financial year.

COMMUNICATION WITH SHAREHOLDERS

Our Shareholders are very important to us. It is our responsibility to ensure that all Shareholders receive clear, timely and effective information from us.

Our website, www.dxsport.com, is a primary source of information on the Company. The site includes an archive of our business development, financial reports, public announcements, and press releases, as well as detailed information on our corporate governance practices.

The Board views the AGM as one of the principal channels to communicate with the Shareholders of the Company and an opportunity for the Shareholders to raise questions to the Board. The chairman of the Board, chief executive officer, directors and some other senior managements of the Company will be present at the AGM to explain to the Shareholders the Company's business performance, financial situation and future strategies and answer questions from the Shareholders.

To further enhance our relationship with the Shareholders and investors and to ensure that our investors have a better understanding of the Company, we have established an Investor Relations ("IR") Department to handle regular contact with our investors. An Investor Relations Report is produced hereto on pages 33 to 34 to provide a more comprehensive overview of the work performed by the IR Department in 2014.

SHAREHOLDERS' RIGHT

Pursuant to Articles 57 of the Articles of Association of the Company, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Pursuant to the Company's articles of association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The contact details of the Board or the secretary are as below:

The Company Secretary
China Dongxiang (Group) Co., Ltd. Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technology Development Area, Beijing 100176, China
Telephone: (8610) 6783 6585
Facsimile: (8610) 6785 6606
Email: ir@dxsport.com.cn

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Shareholders can make any query in respect of the Company or to make a request for the Company's information to the extent such information is publicly available. The designated contact details are as above. Shareholders' questions about their shareholdings should be directed to Computershare Hong Kong Investor Services Limited, the Company's branch share registrar, at Shops 1712-16, 17th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong.

CONSTITUTIONAL DOCUMENTS

As at 31 December 2014, the Group confirmed that there was not any change on the Memorandum and Articles of Association of the Company.

The directors have the pleasure of presenting to the shareholders their report together with the audited consolidated financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The Group are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in Mainland of People's Republic of China, Macau and Japan.

The Company was incorporated in the Cayman Islands on 23 March 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares were listed on the Main Board of the Hong Kong Stock Exchange on 10 October 2007.

GROUP PROFIT

The Group's profit for the year ended 31 December 2014 is set out in the consolidated income statement on page 57.

DIVIDENDS

An interim dividend of RMB28,789,000 and an interim special dividend of RMB38,755,000 in respect of the 6 months ended 30 June 2014 were declared to Shareholders on 21 August 2014 and paid in September 2014.

The directors recommend a final dividend of RMB4.44 cents and final special dividend of RMB5.91 cents per ordinary share of the Company, amounting to approximately RMB245,816,000 and RMB327,386,000 respectively, subject to approval by the Shareholders of the Company at the AGM to be held on 20 May 2015 and are payable in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.7916 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 24 March 2015.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

There was no bank loans and other borrowings of the Company and the Group as at 31 December 2014.

FIVE-YEAR SUMMARY

A summary of the results and assets and liabilities of the Company for the last five years is set out on pages 8 to 9.

SHARE CAPITAL

Movements in the share capital of the Company during the year are set out in Note 26 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 28 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2014 amounted to approximately RMB9,100,668,000, which is the total of the share premium account and reserves of the Company calculated in accordance with Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

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

MATERIAL CONTRACT

No contracts of significance have been entered into between the Company or any of its subsidiaries and the controlling Shareholders.

DIRECTORS

The directors of the Company during the year and up to the date of this report are:

Executive Directors:

Mr. Chen Yihong	*(Chairman and Chief Executive Officer)*
Ms. Chen Chen	*(appointed as executive director and member of executive committee with effect from 4 December 2014)*
Mr. Qin Dazhong	*(resigned as chief operating officer, executive director and member of executive committee with effect from 4 December 2014)*

Independent Non-Executive Directors:

Mr. Gao Yu
Dr. Xiang Bing
Mr. Xu Yudi

In accordance with Article 87 of the Company's articles of association, Mr. Gao Yu and Mr. Xu Yudi shall retire from the office by rotation and, being eligible, shall offer themselves for re-election at the forth coming Annual General Meeting ("AGM").

In accordance with Article 86(3) of the Company's articles of association, Ms. Chen Chen, appointed on 4 December 2014, shall hold office until the forth coming annual general meeting ("AGM") of the Company and shall then be eligible for re-election at the AGM.

Mr. Chen Yihong (re-elected as an executive Director on 14 May 2014), Dr. Xiang Bing (re-elected as an independent non-executive director on 14 May 2014) shall hold office until they are required to retired in accordance with the Company's articles of association.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and the Company considers such directors to be independent. Particulars of the directors' remuneration disclosed pursuant to Appendix 16 of the Listing Rules are set out in Note 8 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance to which the Company, any of its subsidiaries, its holding companies or fellow subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2014 and up to and including the date of this report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management are set out on pages 35 to 36.

SHARE OPTION SCHEMES

The Company adopted a share option scheme ("Share Option Scheme") on 12 September 2007 for the purpose of providing an incentive for employees and persons contributing to the Company to work with commitment towards enhancing the value of the Company and the Shares for the benefit of the Shareholders of the Company and to retain and attract calibres and working partners whose contribution are or may be beneficial to the growth and development of the Company and its subsidiaries.

The Board may from time to time grant options to any individual who is an employee of the Group (including executive Directors) or any entity in which the Company holds any equity interest and such other persons who have contributed or will contribute to the Company as approved by the Board from time to time on the basis of their contribution to the development and growth of the Group ("Grantee").

The Share Option Scheme was adopted on 12 September 2007. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years starting from the date of listing of the Company on 10 October 2007.

Participants of the Share Option Scheme are required to pay HKD1.00 for each option granted upon acceptance of the grant. The exercise price of the options is determined by the Board in its sole and absolute discretion and being at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the shares.

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total Shares then in issue.

The maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other option schemes of the Company must not exceed 30% of the shares in issue from time to time. In addition, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Listing Date which is 550,000,000 shares, representing 9.93% of the issued share capital of the Company as at the date of this report.

The Company may renew this limit at any time, subject to Shareholders' approval provided that the total number of Shares in respect of which may be granted under the Share Option Scheme and any option schemes of the Company under the Scheme Mandate as renewed must not exceed 10% of the total number of Shares in issue as of the date of such Shareholders' approval.

There were no share options granted, lapsed, exercised or cancelled during the year ended 31 December 2014. There was no share option outstanding under the Share Option Scheme as at 31 December 2014.

RESTRICTED SHARE AWARD SCHEME

On 10 December 2010 (the "Adoption Date"), the Board adopted the restricted share award scheme (the "Share Award Scheme") as an incentive to retain and encourage the participants for the continual operation and development of the Group.

Pursuant to the Share Award Scheme, up to 30,000,000 existing Shares ("Restricted Shares") may be purchased by BOCI-Prudential Trustee Limited ("Trustee") from the market out of cash contributed by the Group and be held in trust for the relevant selected participants until such Shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme (the "Scheme Rules").

An administration committee (comprising the remuneration committee and certain senior management of the Company which shall include the chief executive officer and vice chairman of the Board) (the "Administration Committee") may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any selected participant (excluding any excluded employee of the Group as provided under the Scheme Rules) to be a selected participant under the Share Award Scheme.

In addition, the maximum number of Restricted Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at 10 December 2010.

The Share Award Scheme is effective from the Adoption Date (i.e.10 December 2010) and shall continue in full force and effect for a term of 10 years.

A selected participant will be qualified to receive the Restricted Shares which are referable to him after all the qualifying conditions having been fulfilled in accordance with the vesting schedule pursuant to the Scheme Rules. Pursuant to the Scheme Rules, Restricted Shares held by the Trustee which are referable to a selected participant shall not vest in the selected participant if the employment contract of the selected participant has been terminated by the Company or any of its subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty etc.

With a view to allow the Board to have more flexibility in the administration of the scheme, the Share Award Scheme has been amended on 6 July 2012 pursuant to which, the grant share under the Share Award Scheme are subject to the vesting schedule or any other date as determined by the Chairman of the Board and the Chief Executive Officer (or any person designated by them).

For the year ended 31 December 2014, 2,774,000 Restricted Shares were granted to 4 eligible participants pursuant to the Restricted Share Award Scheme. 2,774,000 Restricted Shares were vested during the year. As at 31 December 2014, the number of Restricted Shares granted under the scheme amounted to 5,412,000 Shares, representing approximately 0.096% of the issued Shares as at the Adoption Date. Details of movements of the Restricted Shares under the Restricted Share Award Scheme for the year ended 31 December 2014 are as follows:

	Number of Restricted Shares(1)		
Date of grant	**granted during the year**	**vested during the year**	**lapsed during the year**
3/4/2014	2,274,000	2,274,000	—
3/6/2014	500,000	500,000	—
	2,774,000	2,774,000	

Note:

(1) As at 1/1/2014, the number of restricted shares are 27,362,000 shares. As at 31/21/2014, the number of restricted shares are 24,588,000 shares.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

RETIREMENT SCHEMES

Particulars of the retirement schemes operated by the Group are set out in Note 8 to the consolidated financial statements.

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

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2014, the interests and short positions of the directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 & 8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code contained in the Listing Rules are as follows:

Interests in Shares, underlying Shares and debentures of the Company:

		Number and class of securities		
Name of Directors	**Nature of interest**	**Long position**	**Short position**	**Approximate percentage of total issued Shares**
Mr. Chen Yihong	Interest of a controlled corporation(1)	2,227,081,000 Shares	—	40.23%
Ms. Chen Chen	Interest of a controlled corporation(2)	77,455,100 Shares	—	1.4%

Notes:

(1) Mr. Chen Yihong, Harvest Luck Development Limited ("Harvest Luck") and Talent Rainbow Far East Limited ("Talent Rainbow") are deemed to be interested in the Shares held by Poseidon Sports Limited ("Poseidon") by virtue of Harvest Luck and Talent Rainbow being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Poseidon. Harvest Luck is wholly-owned and controlled by Mr. Chen Yihong. The entire issued share capital of Talent Rainbow is held by Billion Giant Development Limited ("Billion Giant"). The entire issued share capital of Billion Giant is in turn held by BOS Trust Company (Jersey) Limited as trustee of the Cerises Trust. The Cerises Trust is an irrevocable discretionary trust set up by Mr. Chen Yihong as settlor and BOS Trust Company (Jersey) Limited as trustee on 20 April 2010. The beneficiaries under the Cerises Trust are family members of Mr. Chen Yihong. Mr. Chen Yihong as founder of the Cerises Trust is deemed to be interested in the Shares held by Talent Rainbow under the SFO.

(2) Bountiful Talent Ltd, is wholly-owned and controlled by Ms. Chen Chen and Ms. Chen Chen is therefore deemed to be interested in the Shares held by Bountiful Talent Ltd.

Save as disclosed above, as at 31 December 2014, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the Shares, underlying Shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

		Number of Shares		
Name of Shareholders	**Nature of interest**	**Long position**	**Short position**	**Approximate percentage of shareholding (%)**
Poseidon Sports Limited	Corporate interest	2,227,081,000	—	40.23%
Talent Rainbow Far East Limited(1)	Interest in a controlled corporation	2,227,081,000	—	40.23%
Harvest Luck Development Limited(1)	Interest in a controlled corporation	2,227,081,000	—	40.23%
Prime Capital Management Company Limited(2)	Investment manager	279,190,706	—	5.04%
Hermes Investment Management	Investment manager	278,187,000	—	5.02%

Notes:

(1) Mr. Chen Yihong, Harvest Luck Development Limited ("Harvest Luck") and Talent Rainbow Far East Limited ("Talent Rainbow") are deemed to be interested in the Shares held by Poseidon Sports Limited ("Poseidon") by virtue of Harvest Luck and Talent Rainbow being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Poseidon. Harvest Luck is wholly-owned and controlled by Mr. Chen Yihong. The entire issued share capital of Talent Rainbow is held by Billion Giant Development Limited ("Billion Giant"). The entire issued share capital of Billion Giant is in

turn held by BOS Trust Company (Jersey) Limited as trustee of the Cerises Trust. The Cerises Trust is an irrevocable discretionary trust set up by Mr. Chen Yihong as settlor and BOS Trust Company (Jersey) Limited as trustee on 20 April 2010. The beneficiaries under the Cerises Trust are family members of Mr. Chen Yihong. Mr. Chen Yihong as founder of the Cerises Trust is deemed to be interested in the Shares held by Talent Rainbow under the SFO.

(2) As stated in the form of disclosure of shareholder's interests submitted by Prime Capital Management Company Limited on 15 December 2014 (the date of the relevant event set out in the form was 10 December 2014), these Shares were held in Prime Capital Management Company Limited and its affiliates.

Save as disclosed above, as at 31 December 2014, the directors are not aware of any other person or corporation having an interest or short position in Shares and underlying Shares of the Company representing 5% or more of the issued share capital of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTION

During the year ended 31 December 2014, the Company did not enter into any transactions with its connected persons (as defined in the Listing Rules) which was subject to the reporting, announcement and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

The related party transactions are set out in Note 36 to the consolidated financial statements. None of these related party transactions fall under the scope of "Connected Transaction" and "Continuing Connected Transaction" under Chapter 14A of the Listing Rules which are required to comply with the reporting, announcement or independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued Shares as required under the Listing Rules.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2014, the purchases from the largest supplier and the aggregated purchases from the largest five suppliers amounted for 13% and 49% of the Group's total purchases, and the sales to the largest customer and the aggregated sales to the largest five customers amounted for 6% and 19% of the Group's total sales, respectively.

CORPORATE GOVERNANCE

Throughout 2014, the Company has complied with all the code provisions, except one deviation from code provision A.2.1 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 38 to 46 of this report.

AUDITOR

PricewaterhouseCoopers will retire as auditor of the Company at the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company until the conclusion of the next AGM is to be proposed at the forthcoming AGM.

On behalf of the Board
Chen Yihong
Chairman

25 March 2015

羅兵咸永道

Independent Auditor's Report
To the shareholders of China Dongxiang (Group) Co., Ltd.
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Dongxiang (Group) Co., Ltd. ("the Company") and its subsidiaries (together, the "Group") set out on pages 57 to 132, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2015

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Revenue	5	**1,261,905**	1,413,692
Cost of goods sold	6	**(621,458)**	(733,184)
Reversal of impairment losses of inventories	6	**41,107**	30,665
Gross profit		**681,554**	711,173
Distribution expenses	6	**(428,429)**	(412,567)
Administrative expenses	6	**(174,028)**	(240,246)
Other gains, net	7	**909,518**	193,653
Provision for impairment losses of available-for-sale financial assets	19	**—**	(27,118)
Operating profit		**988,615**	224,895
Finance cost, net	9	**(20,705)**	(4,301)
Finance income	9	**6,961**	54,130
Share of profits of a joint venture	17	**256**	287
Profit before income tax		**975,127**	275,011
Income tax expense	10	**(61,718)**	(71,943)
Profit for the year		**913,409**	203,068
Profit attributable to:			
— Owners of the Company		**915,351**	210,266
— Non-controlling interests		**(1,942)**	(7,198)
		913,409	203,068
Earnings per share attributable to owners of the Company for the year (expressed in RMB cents per share)			
— Basic earnings per share	11	**16.61**	3.82
— Diluted earnings per share	11	**16.61**	3.82
Dividends	33	**640,746**	147,268

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Profit for the year		**913,409**	203,068
Other comprehensive income that may be reclassified to profit or loss:			
— Change in fair value of available-for-sale financial assets		**966,332**	1,716,878
— Currency translation differences	28	**(4,758)**	(122,652)
Other comprehensive income for the year, net of tax		**961,574**	1,594,226
Total comprehensive income for the year		**1,874,983**	1,797,294
Attributable to:			
— Owners of the Company		**1,876,925**	1,804,492
— Non-controlling interests		**(1,942)**	(7,198)
Total comprehensive income for the year		**1,874,983**	1,797,294

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	**71,595**	85,967
Lease prepayments	15	**11,722**	12,008
Intangible assets	16	**247,512**	257,141
Interest in a joint venture	17	**15,621**	15,591
Available-for-sale financial assets	19	**4,580,210**	3,223,605
Other financial assets			
— non-current portion	24	**321,763**	—
Deferred income tax assets	20	**90,846**	97,829
Prepayments, deposits and other receivables — non-current portion	23	**38,400**	55,304
		5,377,669	3,747,445
Current assets			
Inventories	21	**206,492**	182,758
Trade receivables	22	**318,210**	333,041
Prepayments, deposits and other receivables	23	**80,911**	57,166
Other financial assets	24	**2,779,831**	3,551,091
Cash and bank balances	25	**2,545,680**	1,096,797
		5,931,124	5,220,853
Total assets		**11,308,793**	8,968,298

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**53,589**	53,589
Share premium account	26	**1,714,319**	1,863,919
Reserves	28	**8,572,160**	6,691,690
		10,340,068	8,609,198
Non-controlling interests		**18,868**	14,626
Total equity		**10,358,936**	8,623,824
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	20	**10,804**	33,574
		10,804	33,574
Current liabilities			
Other financial liability	31	**609,020**	—
Trade payables	29	**155,711**	148,035
Accruals and other payables	30	**130,210**	114,258
Provisions	32	**20,598**	17,836
Current income tax liabilities		**23,514**	30,771
		939,053	310,900
Total liabilities		**949,857**	344,474
Total equity and liabilities		**11,308,793**	8,968,298
Net current assets		**4,992,071**	5,309,953
Total assets less current liabilities		**10,369,740**	8,657,398

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 57 to 64 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

COMPANY BALANCE SHEET

As at 31 December 2014

	Note	As at 31 December 2014 RMB'000	2013 RMB'000
ASSETS			
Non-current assets			
Interests in subsidiaries	13	**6,907,017**	6,907,017
Other financial assets			
— non-current portion	24	**124,664**	—
Amounts due from subsidiaries			
— non-current portion	13	**1,817,141**	1,750,972
		8,848,822	8,657,989
Current assets			
Inventory		**1,960**	—
Trade receivables	22	**33,114**	13,198
Prepayments, deposits and other receivables	23	**4,345**	5,372
Amounts due from subsidiaries	13	**31,184**	77,190
Other financial assets	24	**—**	437,813
Cash and bank balances	25	**483,069**	245,257
		553,672	778,830
Total assets		**9,402,494**	9,436,819
EQUITY			
Equity attributable to owners of the Company			
Share capital	26	**53,589**	53,589
Share premium account	26	**1,714,319**	1,863,919
Reserves	28	**7,386,349**	7,392,889
Total equity		**9,154,257**	9,310,397
LIABILITIES			
Current liabilities			
Amounts due to subsidiaries	13	**244,506**	124,404
Accruals and other payables	30	**3,731**	2,018
Total liabilities		**248,237**	126,422
Total equity and liabilities		**9,402,494**	9,436,819
Net current assets		**305,435**	652,408
Total assets less current liabilities		**9,154,287**	9,310,397

The notes on pages 65 to 132 are an integral part of these financial statements.

The financial statements on pages 57 to 64 were approved by the Board of Directors on 25 March 2015 and were signed on its behalf.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Attributable to owners of the Company						
		Share capital	**Share premium account**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2013		53,589	1,984,059	(130,041)	5,015,015	6,922,622	21,824	6,944,446
Comprehensive income								
Profit for the year		—	—	—	210,266	210,266	(7,198)	203,068
Other comprehensive income								
Change in fair value of available-for-sale financial assets	19	—	—	1,716,878	—	1,716,878	—	1,716,878
Currency translation differences		—	—	(122,652)	—	(122,652)	—	(122,652)
Total other comprehensive income, net of tax		—	—	1,594,226	—	1,594,226	—	1,594,226
Total comprehensive income		—	—	1,594,226	210,266	1,804,492	(7,198)	1,797,294
Dividends relating to 2012 final and 2013 interim	33	—	(120,140)	589	—	(119,551)	—	(119,551)
Shares vested under Restricted Share Award Scheme	27	—	—	1,635	—	1,635	—	1,635
Total contributions by and distributions to owners of the Company, recognised directly in equity		—	(120,140)	2,224	—	(117,916)	—	(117,916)
Appropriation to statutory reserves	28	—	—	1,791	(1,791)	—	—	—
Total transactions with owners, recognised directly in equity		—	(120,140)	4,015	(1,791)	(117,916)	—	(117,916)
Balance at 31 December 2013		53,589	1,863,919	1,468,200	5,223,490	8,609,198	14,626	8,623,824

	Note	Attributable to owners of the Company						
		Share capital RMB'000	Share premium account RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2014		53,589	1,863,919	1,468,200	5,223,490	8,609,198	14,626	8,623,824
Comprehensive income								
Profit for the year		—	—	—	915,351	915,351	(1,942)	913,409
Other comprehensive income								
Change in fair value of available-for-sale financial assets	19	—	—	966,332	—	966,332	—	966,332
Currency translation differences		—	436	(5,194)	—	(4,758)	—	(4,758)
Total other comprehensive income, net of tax		—	436	961,138	—	961,574	—	961,574
Total comprehensive income		—	436	961,138	915,351	1,876,925	(1,942)	1,874,983
Disposal of a subsidiary		—	—	—	—	—	6,184	6,184
Dividends relating to 2013 final and 2014 interim	33	—	(150,036)	676	—	(149,360)	—	(149,360)
Shares vested under Restricted Share Award Scheme	27	—	—	3,305	—	3,305	—	3,305
Total contributions by and distributions to owners of the Company, recognised directly in equity		—	(150,036)	3,981	—	(146,055)	6,184	(139,871)
Appropriation to statutory reserves	28	—	—	2,311	(2,311)	—	—	—
Total transactions with owners, recognised directly in equity		—	(150,036)	6,292	(2,311)	(146,055)	6,184	(139,871)
Balance at 31 December 2014		53,589	1,714,319	2,435,630	6,136,530	10,340,068	18,868	10,358,936

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2014

	Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Cash generated from operations	34	**103,810**	224,014
Interest received		**13,496**	85,761
Income tax paid		**(84,762)**	(39,074)
Net cash generated from operating activities		**32,544**	270,701
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,965)**	(8,448)
Purchase of intangible assets		**(4,750)**	(3,037)
Proceeds from disposal of property, plant and equipment	34	**299**	1,926
(Investment in)/redemption of term deposits with initial terms of over three months and long term bank deposits		**(2,450)**	1,470,707
Purchase of other financial assets		**(1,017,515)**	(1,289,954)
Sale of other financial assets		**1,471,186**	—
Dividends received from the investment in available-for-sale financial assets		**37,153**	34,000
Interest received from other financial assets		**209,352**	140,970
Investments in available-for-sale financial assets		**(789,908)**	(559,390)
Proceeds from disposal of available-for-sale financial assets		**1,662,066**	1,151
Net cash generated from/(used in) investing activities		**1,561,468**	(212,075)
Cash flows from financing activities			
Dividends paid	33	**(150,036)**	(119,551)
Net cash used in financing activities		**(150,036)**	(119,551)
Net increase/(decrease) in cash and cash equivalents		**1,443,976**	(60,925)
Cash and cash equivalents at beginning of the year		**280,852**	341,286
Exchange gains on cash and cash equivalents		**1,739**	491
Cash and cash equivalents at end of the year	25	**1,726,567**	280,852

The notes on pages 65 to 132 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

China Dongxiang (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in Mainland of the People's Republic of China (the "PRC"), Macau and Japan.

The Company was incorporated in the Cayman Islands on 23 March 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 October 2007.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the consolidated financial statements as a result.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Changes in accounting policies and disclosures (Continued)

(c) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

(a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

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

2.3 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is United States Dollars ("USD") and the functional currency of most of its subsidiaries is Renminbi ("RMB") or Japanese Yen ("JPY"). The consolidated financial statements are presented in RMB, which is the presentation currency of the financial statements of the Company and the Group.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance cost, net'. All other foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land is stated at cost less accumulated impairment losses, if any. Cost represents consideration paid for the purchase of the land. Freehold land is not subject to depreciation.

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition. No provision for depreciation is made on construction-in-progress until such time the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated below.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

—	Buildings	20–35 years
—	Office furniture and equipment	2–15 years
—	Vehicles	5 years
—	Leasehold improvements	2–15 years or overlease term, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains, net', in the income statement.

2.7 Leasehold land use right

Leasehold land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated for periods from 20 to 50 years. Amortisation of leasehold land use rights is calculated on a straight-line basis over the period of the leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets

(a) Trademarks

Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 40 years.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life — for example, goodwill or intangible assets not ready to use — are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade receivables', 'deposits and other receivables', 'other financial assets' and 'cash and bank balances' in the balance sheet (Note 2.14 and 2.15).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Financial assets (Continued)

2.10.1 Classification (Continued)

(c) *Available-for-sale financial assets*

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

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains — net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other gains. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other gains when the Group's right to receive payments is established.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Inventories

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

2.14 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, and deposits held at call with banks with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to owners of the company.

2.17 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Past-service costs are recognised immediately in income statements.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Employee leave entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payments

(a) Share Option Schemes

Equity-settled share-based payment transactions

The Group operates a share option scheme ("Share Option Scheme") (Note 27(a)). Under the Share Option Scheme, the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Share-based payment transactions among Group entities

In the Company's entity financial statements, the grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity account.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Share-based payments (Continued)

(b) Restricted Share Award Scheme

The Company adopted the Dongxiang Company Limited Restricted Share Award Scheme ("Restricted Share Award Scheme") (Note 27(b)) on 10 December 2010. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, a trust (Note 27) was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market. The total amount paid to acquire the shares was financed by the Company by way of contributions made to the trust. As the financial and operational policies of the trust are governed by the Group, and Group benefits from the trust's activities, the trust is consolidated in the Group's financial statements as a special purpose entity.

When restricted shares are granted to selected participants, the fair value of the restricted shares awarded based on the market value of the Company's shares on the date of grant is charged as employee expenses to the consolidated income statement of the Group.

2.21 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

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

2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns, value added taxes and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Revenue recognition (Continued)

(a) *Sales of goods — wholesale*

The Group manufactures and sells a range of sport-related apparel, footwear and accessories to its distributors in China and Japan. Sales of goods are recognised when a group entity has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Certain distributors are entitled to return goods or additional sales discounts in accordance with agreements between the Group and its distributors. Management estimates the quantities of goods returns and additional sales discounts based on historical experience and makes provision accordingly. Revenue is recognised to the extent of goods delivered less estimated goods returns and sales discounts.

(b) *Sales of goods — retail*

The Group operates a chain of retail shops and outlets for selling sport apparels in China and Japan. Sales of goods are recognised when the Group sells a product to customers. Retail sales are usually in cash or by credit card.

Revenue from the provision of the sale of goods on the internet is recognised at the point that the risks and rewards of the inventory have passed to the customer, which is the point of acceptance by the customers. Transactions are settled by cash or credit card.

(c) *Sales of goods — consignment sales*

Consignment sales are the sales of goods of the Group under which the recipient undertakes to sell the goods on behalf of the Group. Revenue is recognised by the Group when the goods are sold by the recipient to a third party.

(d) *Royalty income*

Royalty income is recognised in the income statement on an accrual basis in accordance with the substance of the relevant agreements.

2.23 Interest income

Interest income is recognised using the effective interest rate method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

2.24 Government grants

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Japan with most of the transactions denominated and settled in RMB and JPY, while limited purchases and sales are from overseas (other than Japan) that are settled mainly in USD. Foreign exchange risk also arises from certain bank deposits denominated in currencies other than the functional currencies of the respective companies. These include mainly the deposits denominated in Hong Kong Dollars ("HKD"), USD and JPY in the PRC subsidiaries, the functional currency of which is RMB, and the deposits of the Company which are denominated in RMB while the functional currency of the Company is USD. Analyses of cash and bank balances by currencies are disclosed in Note 25. The Group currently does not hedge its foreign exchange exposure.

As at 31 December 2014, if RMB had strengthened/weakened by 5% against the USD/HKD with all other variables held constant, post-tax profit for the year would have changed mainly as a result of foreign exchange losses/gains on translation of USD and HKD denominated cash and bank balances.

	2014	2013
	RMB'000	RMB'000
Year ended 31 December:		
Post-tax profit for the year (decrease)/increase		
— Strengthened 5%	**(11,237)**	(7,110)
— Weakened 5%	**11,237**	7,110

(ii) Cash flow and fair value interest rate risk

The Group's exposure to change in interest rate risk mainly concerns its cash in bank and other financial assets. The Group currently does not hedge its exposure to interest rate risk. Details of the Group's other financial assets and cash in bank balances are disclosed in Note 24 and Note 25 respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) ***Market risk*** (Continued)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

For the year ended 31 December 2014, fair value change of investment in Yunfeng E-Commerce Funds ("Yunfeng E-Commerce Funds") (Note 19(a)) amounting to RMB973,352,000 (2013: RMB5,633,000) was recognised in other comprehensive income. Yunfeng E-Commerce Funds are established for the purpose of making investments in shares of Alibaba Group Holding Limited ("Alibaba"), a leading group in the Chinese e-commerce industry whose shares were listed in US in September 2014.

(b) ***Credit risk***

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. The Group's credit sales are only made to customers with appropriate credit history and at credit periods of 30 to 60 days.

The Group has no significant concentration of credit risk. The carrying amounts of cash and bank balances, financial assets at fair value through profit or loss, available-for-sale financial assets, trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

As at 31 December 2014 all the bank deposits are deposited in high quality financial institutions without significant credit risk. The table below shows the bank deposit balances of the Group in the banks as at 31 December 2014 and 2013. Management does not expect any losses from non-performance of these banks.

		As at 31 December	
	Rating (i)	**2014**	2013
		RMB'000	RMB'000
Industrial and Commercial Bank of China	A-1	**1,604,981**	544,095
China Merchants Bank	A-2	**299,217**	150,786
Bank of Communications	A-2	**3,558**	30,211
HSBC Bank	A-1+	**59,311**	67,651
Shanghai Pudong Development Bank	A-2	**203,566**	1,820
Others	(ii)	**375,047**	302,234
		2,545,680	1,096,797

(i) The source of the credit rating is from Standard & Poor as at 31 December 2014.

(ii) The credit rating information for these financial institutions is not available.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

The Group's other financial assets as at 31 December 2014 mainly comprise unlisted treasury products issued by commercial banks in the PRC of RMB2,079,905,000 (2013: RMB3,551,091,000) and debt securities in investment funds (Note 24) of RMB750,169,000 (2013: nil). Management does not expect any losses from non-performance of these banks and investment funds.

The Group's available-for-sale financial assets with credit risk as at 31 December 2014 include the investment in limited partnership funds established for the purpose of making equity investments (Note 19). Management does not expect any losses from non-performance of these funds.

(c) Liquidity risk

The Group has significant cash and bank balances and deposits in treasury products issued by banks with maturity within one year and liquidity risk is considered to be minimal. The Group controls its liquidity and investing risks by maintaining sufficient cash and cash equivalents, which are generated mainly from the operating cash flow.

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

	The Group RMB'000	**The Company** RMB'000
At 31 December 2014		
Trade payables (Note 29)	**155,711**	**—**
Amounts due to subsidiaries (Note 13)	**—**	**244,506**
Accruals and other payables (Note 30)	**69,189**	**3,731**
Other financial liabilities (Note 31)	**609,020**	**—**
	833,920	**248,237**
At 31 December 2013		
Trade payables (Note 29)	148,035	—
Amounts due to subsidiaries (Note 13)	—	124,404
Accruals and other payables (Note 30)	61,430	2,018
	209,465	126,422

All the balances are due within one year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by equity holders' equity as shown in the balance sheet. As at 31 December 2014 and 2013, the Group did not have any borrowing.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014 and 2013:

At 31 December 2014	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets (Note 19)	**—**	**3,229,119**	**1,351,091**	**4,580,210**
Other financial asset at fair value through profit or loss	**271,520**	**—**	**—**	**271,520**
	271,520	**3,229,119**	**1,351,091**	**4,851,730**

At 31 December 2013	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (Note 19)	22,496	—	3,201,109	3,223,605

There were no transfers between level 1 and 2 during the year.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in Level 1. Instruments included in level 1 mainly include investments in preferred shares of a HK listed company and equity interest in a company whose shares are traded in over-the-counter market.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value such financial instrument are observable, the instrument is included in Level 2. Instrument included in level 2 mainly includes the Group's investment in Yunfeng E-Commerce Funds (Note 19(a)), whose assets are primarily shares of Alibaba.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices, net assets value provided by fund administrators for unlisted investment funds or dealer quotes for similar instruments.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The level 3 instruments mainly include the investments in investment funds (Note 19). Such investments in investment funds are stated with reference to the net assets values provided by the respective administrators of the investment funds. If the net assets value of the investment funds is not available or the Group considers that such net assets value is not reflective of fair value, the Group may exercise its judgement and discretion to determine the fair value of the investment funds. There were no changes in valuation techniques during the period.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3 (Continued)

The following table presents the changes in level 3 instruments for the year end 31 December 2014 and 2013:

	2014 RMB'000	2013 RMB'000
Available-for-sale financial assets in level 3		
At 1 January	3,201,109	1,006,576
Exchange differences	24	(48,984)
Additions	789,908	559,390
Change in fair value	32,037	1,711,245
Impairment losses recognised in profit or loss	—	(27,118)
Disposal	(244,201)	—
Transfer to level 2 (Note a)	(2,427,786)	—
At 31 December	1,351,091	3,201,109
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under provision for impairment losses of available-for-sale financial assets	—	(27,118)
Total gains or losses for the year included in profit or loss for assets held at the end of the year, under "Other gains, net"	29,625	—
Change in unrealised gains or losses for the year included in profit or loss for assets held at the end of the year	2,412	1,711,245

Note:

Investment in Yunfeng E-Commerce Funds were transferred to level 2 because the funds were established for the purpose of making investment in equity interest of Alibaba, whose shares were listed on New York Stock Exchange ("NYSE") in September 2014.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) *Financial instruments in level 3* (Continued)

Quantitative information about fair value measurements using significant unobservable inputs (level 3)

	Fair value at period end	Valuation technique	Key unobservable inputs	Range
Equity investment (Note 19)				
— CITIC Mezzanine Fund I	237,604	Net assets value	Not applicable	Not applicable
— Hangzhou Yuanxin Dongchao Equity Investment LLP ("Yuanxin Dongchao")	164,929	Last traded price	Liquidity discount	Not applicable
— Shanghai Panxin Investment Management Company ("Shanghai Panxin")	202,125	Discounted cashflow	Discount rate	10%
— Others (Note a)	746,433	Note a	Note a	Not applicable
	1,351,091			

Note a:

Other equity securities are stated at fair value at year end and include investments in unlisted investment funds, whose investments are mainly in high-tech industry, finance service industry and manufacturing industry.

The valuation techniques of others equity investments mainly include last traded price, net assets value and other techniques. The unobservable inputs mainly include liquidity discount and others.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful life of trademark

The Group's management determined that the useful life of Kappa, Phenix and other trademarks is 40 years (Note 16). This estimate is based on the management's experiences in the sport apparel industry. The Group will increase or decrease the amortisation charge where useful life is shorter or longer than previously estimated. The estimate of useful life of the trademark and the amortisation charge could change significantly as a result of changes in the sport apparel market, market trend and competition. Management will increase the amortisation charge where useful life is less than the previously estimated, or the trademark asset will be written off or written down to the recoverable amount when there is an indication that the carrying amount is not recoverable.

(b) Fair value of financial assets

The fair value of financial assets that are not traded in active markets is determined by using valuation techniques. These techniques include the use of discounted cash flow analysis model, use of net asset value, etc. To the extent practical, models use only observable data. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The resulting accounting estimates may not be equal to the related actual results.

(c) Income taxes

The Group is mainly subject to income taxes in the PRC and Japan. Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination may be uncertain during the ordinary course of business. The Group recognises liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax assets and liabilities in the period in which such determination is made.

(d) Inventory provision

Inventories are stated at the lower of cost and net realisable value. Management makes provision based on historical experience and on the estimation of future market condition and sales. Management will adjust the provision where actual net realisable value is higher or lower than previously estimated.

Management makes provision for inventories based on historical experience and estimation of future market condition and sales. This requires significant judgment. As at 31 December 2014, in view of that the actual clearance sale of the out-season inventories during the year ended 31 December 2014 was better than the forecast, the Group reversed inventory provision of RMB41,107,000 (2013: RMB30,665,000).

(e) Sales returns and discounts provision

Depending on agreement between the Group and distributors, certain distributors are entitled to return goods or additional sales discounts. Management estimates the amounts of goods returns and additional sales discount based on historical experience and market condition and makes provision accordingly. Revenue is recognised to the extent of goods delivered less estimated goods returns and sales discounts. Management will adjust the provision where actual sales returns or sales discounts are more or less than previously estimated.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Impairment of investments in subsidiaries

Where there are indicators for impairment, the carrying value of the parent entity's investment in the subsidiaries in the parent's separate financial statements should also be reviewed for impairment. The recoverable amount has been determined based on the higher of fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates (Note 13).

According to the value-in-use calculations, an impairment charge of RMB3,332,440,000 arose in year 2012, resulting in the carrying amount of the investment in subsidiaries being written down to its recoverable amount. No further impairment arose in year 2014 and 2013.

(g) Impairment of available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook of the investments, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5 SEGMENT INFORMATION

The Group is principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in the PRC, Macau and Japan.

The chief operating decision maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The chief operating decision maker considers and assess the performance of the investment activities and sportswear business separately, and sportswear business were assessed from a geographic perspective, including China (including PRC and Macau) and Japan segments as follows:

- China — includes distribution and retail of sport apparel under Kappa Brand and other brands and international business which includes the provision of Kappa Brand products for other Kappa licenses in other countries.
- Japan — includes distribution and retail of sport apparel under Kappa, Phenix and other brands.
- Investment — includes investment in kinds of financial assets and treasury products issued by commercial banks. (Note a).

Note a: Investment segment was identified as a reportable segment for the year ended 31 December 2014, because the chief operating decision maker reviews the Group's internal reporting regarding investment activities in order to assess performance and allocate resources separately. Comparative segment information for prior year presented were restated to reflect the newly reportable segment.

Sales between segments are carried out on terms set out in agreements governing the transactions. The revenue from external customers, segment operating profit/(loss) and segment profit/(loss) reported to the chief operating decision maker are measured in a manner consistent with that presented in the consolidated income statement.

5 SEGMENT INFORMATION (Continued)

The segment results and other material income statement items provided to the chief operating decision maker for the reportable segments are as follows:

	China RMB'000	Japan RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2014					
Total revenue before inter-segment elimination	847,521	436,855	—	—	1,284,376
Inter-segment revenue	(19,734)	(2,737)	—	—	(22,471)
Revenue from external customers	827,787	434,118	—	—	1,261,905
Cost of goods sold	(332,426)	(289,032)	—	—	(621,458)
Reversal of /(provision for) impairment losses of inventories	41,963	(856)	—	—	41,107
Segment gross profit	537,324	144,230	—	—	681,554
Other gains, net	14,993	2,009	892,516	—	909,518
Segment operating profit/(loss)	142,244	(1,076)	892,516	(45,069)	988,615
Finance income	4,666	7	—	2,288	6,961
Finance cost, net	2,980	(9,365)	—	(14,320)	(20,705)
Share of profits of a joint venture	—	256	—	—	256
Profit/(loss) before income tax	149,890	(10,178)	892,516	(57,101)	975,127
Income tax expense	(11,064)	(612)	(50,042)	—	(61,718)
Profit/(loss) for the year	138,826	(10,790)	842,474	(57,101)	913,409
Material items of income and expense					
Depreciation and amortisation	22,237	4,696	—	—	26,933
Provision for/(reversal of) impairment losses of trade and other receivables	43,020	(9,589)	—	—	33,431
Advertising and selling expenses	172,082	42,791	—	—	214,873

5 SEGMENT INFORMATION (Continued)

	China RMB'000 (Note a) (Restated)	Japan RMB'000 (Restated)	Investment RMB'000 (Restated)	Unallocated RMB'000 (Restated)	Total RMB'000 (Restated)
Year ended 31 December 2013					
Total revenue before inter-segment elimination	925,234	516,721	—	—	1,441,955
Inter-segment revenue	(21,393)	(6,870)	—	—	(28,263)
Revenue from external customers	903,841	509,851	—	—	1,413,692
Cost of goods sold	(405,252)	(327,932)	—	—	(733,184)
Reversal of impairment losses of inventories	28,209	2,456	—	—	30,665
Segment gross profit	526,798	184,375	—	—	711,173
Other gains, net	44,169	481	149,003	—	193,653
Segment operating profit/(loss)	140,322	(16,490)	149,003	(47,940)	224,895
Finance income	48,454	5	—	5,671	54,130
Finance cost, net	(7,588)	(8,650)	—	11,937	(4,301)
Share of profit of a joint venture	—	287	—	—	287
Profit/(loss) before income tax	181,188	(24,848)	149,003	(30,332)	275,011
Income tax expense	(35,760)	(940)	(35,243)	—	(71,943)
Profit/(loss) for the year	145,428	(25,788)	113,760	(30,332)	203,068
Material items of income and expense					
Depreciation and amortisation	21,585	7,405	—	—	28,990
Provision for impairment losses of available-for-sale financial assets	—	—	27,118	—	27,118
Provision for/(reversal of) impairment losses of trade and other receivables	102,964	(491)	—	—	102,473
Advertising and selling expenses	100,142	54,986	27,118	—	155,128

The loss of RMB45,069,000 (2013: RMB47,940,000) reported under "Unallocated segment operating profit" comprised the cost of design and product development of Kappa Brand products incurred by the technical centre of the Group established for product development for both China and Japan markets.

5 SEGMENT INFORMATION (Continued)

A further analysis of sales of sports wear by brands and activities in China and Japan segments is set out below:

	2014 RMB'000	2013 RMB'000
China		
— Distribution of Kappa Brand products	534,008	700,640
— Retail of Kappa Brand products	285,510	160,500
— International business and others	8,269	42,701
	827,787	903,841
Japan		
— Distribution and retail of Kappa Brand products	141,061	164,989
— Distribution and retail of Phenix Brand products	293,057	344,862
	434,118	509,851
Turnover	1,261,905	1,413,692

During the year ended 31 December 2014, revenues of approximately RMB66,765,000 (2013: 148,648,000) are derived from a single external customer. These revenues are attributable to China segment.

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The segment assets and liabilities and reconciliations to the Group's total assets and total liabilities are as follows:

	China RMB'000	Japan RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2014					
Interests in a joint venture	—	15,621	—	—	15,621
Available-for-sale financial assets	—	—	4,580,210	—	4,580,210
Deferred income tax assets	90,846	—	—	—	90,846
Other assets	3,225,140	339,402	3,101,594	98,445	6,764,581
Total assets before inter-segment elimination	3,315,986	355,023	7,681,804	98,445	11,451,258
Inter-segment elimination	(57,067)	(4,365)	—	(81,033)	(142,465)
Segment assets	3,258,919	350,658	7,681,804	17,412	11,308,793
Deferred income tax liabilities	—	3,192	7,612	—	10,804
Current income tax liabilities	22,591	923	—	—	23,514
Other liabilities	190,202	176,981	609,020	25,203	1,001,406
Total liabilities before inter-segment elimination	212,793	181,096	616,632	25,203	1,035,724
Inter-segment elimination	(4,663)	(56,001)	—	(25,203)	(85,867)
Segment liabilities	208,130	125,095	616,632	—	949,857

5 SEGMENT INFORMATION (Continued)

	China RMB'000	Japan RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2013					
Interests in a joint venture	—	15,591	—	—	15,591
Available-for-sale financial assets	—	—	3,223,605	—	3,223,605
Deferred income tax assets	97,829	—	—	—	97,829
Other assets	1,498,098	369,055	3,551,091	330,134	5,748,378
Total assets before inter-segment elimination	1,595,927	384,646	6,774,696	330,134	9,085,403
Inter-segment elimination	(21,699)	(10,529)	—	(84,877)	(117,105)
Segment assets	1,574,228	374,117	6,774,696	245,257	8,968,298
Deferred income tax liabilities	30,136	3,438	—	—	33,574
Current income tax liabilities	29,620	1,151	—	—	30,771
Other liabilities	146,266	166,301	—	29,068	341,635
Total liabilities before inter-segment elimination	206,022	170,890	—	29,068	405,980
Inter-segment elimination	(11,210)	(21,228)	—	(29,068)	(61,506)
Segment liabilities	194,812	149,662	—	—	344,474

As at 31 December 2014, the total non-current assets other than financial instruments and deferred tax assets located in the PRC amounted to RMB325,852,000 (2013: RMB351,022,000) and the total of these non-current assets located in other countries and places amounted to RMB58,997,000 (2013: RMB74,989,000).

6 EXPENSES BY NATURE

The expenses included in cost of goods sold, reversal of impairment losses of inventories, distribution expenses and administrative expenses are analysed as follows:

	2014 RMB'000	2013 RMB'000
Cost of inventories recognised as cost of goods sold (Note 21)	**621,458**	733,184
Reversal of impairment losses of inventories (Note 21)	**(41,107)**	(30,665)
Depreciation of property, plant and equipment (Note 14)	**13,842**	15,230
Amortisation of lease prepayments and intangible assets (Note 15, 16)	**13,092**	13,760
Advertising and selling expenses	**214,873**	155,128
Employee salary and benefit expenses (Note 8)	**142,693**	153,015
Design and product development expenses	**45,069**	47,940
Legal and consulting expenses	**4,984**	3,682
Operating lease in respect of buildings	**21,174**	31,558
Logistic fees	**65,821**	70,669
Provision for impairment losses of trade and other receivables	**33,431**	102,473
Travelling expenses	**14,871**	18,344
Auditors' remuneration		
— Audit services	**2,500**	2,814
— Non-audit services	**2,183**	1,053
Others	**27,924**	37,147
	1,182,808	1,355,332

7 OTHER GAINS, NET

	2014 RMB'000	2013 RMB'000
Government subsidy income	**3,791**	10,514
Royalty income	**11,425**	10,458
Investment income from financial assets	**280,304**	174,970
Gain on disposal of available-for-sale financial assets	**731,497**	1,151
Loss recognised in relation to other financial liability	**(119,285)**	—
Others, net	**1,786**	(3,440)
	909,518	193,653

Government subsidy income represents grants from the local finance bureaus as encouragement to the Company's subsidiaries' investments and is mainly calculated with reference to taxes paid by the subsidiaries. The income is recognised when there is a reasonable assurance that the subsidy will be received.

8 EMPLOYEE SALARY AND BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2014 RMB'000	2013 RMB'000
Wages and salaries	89,335	98,351
Pension costs (Note (a))	16,187	17,461
Performance Units Plans (Note (b))	—	(11,981)
Restricted Share Award Scheme (Note 27(b))	3,305	1,635
Termination benefits	1,613	5,534
Other benefits	32,253	42,015
	142,693	153,015

Notes:

(a) Pensions — defined contribution plans

The employees of the Group in PRC, Hong Kong and Japan participate in defined contribution retirement benefit plans organised by the relevant local governments. The Group is required to make monthly defined contributions to these plans at rates ranging from 13% to 22% (2013: 13% to 22%) in the PRC and 8.56% (2013: 8.56%) in Japan of the employees' basic salaries for the year, depending upon the applicable local regulations.

The Group has no other obligations for the payment of retirement and other post-retirement benefits of employees or retirees other than the defined contribution payments as disclosed above.

(b) Performance Units Plan

Since 1 January 2009, the Group has adopted and implemented a cash-settled performance-based employee benefit plans (the "Performance Unit Plans") for the middle to senior management of the Group. Under the Performance Unit Plans, the eligible employees are granted performance units, each of which represents an entitlement to cash payments when the Group's performance outperforms a pre-set benchmark in a period of 3 years starting from 1 January of the year the units are granted. The value of each unit has a cap at RMB2 per unit. The fair value of the Group's liability under the Performance Unit Plans as at each balance sheet date is estimated by management using a valuation model. The changes in fair value of the liability are charged to the consolidated income statement.

During the year ended 31 December 2014, the Group did not grant any performance units and no performance units remain valid as at 31 December 2014. As at 31 December 2013, approximately RMB11,981,000 of the provision was written-back and credited to the consolidated income statement.

8 EMPLOYEE SALARY AND BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

Notes: (Continued)

(c) Directors' emoluments

The remuneration of each director of the Company is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Other benefits (Note (a))	Employer's contributions to pension schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2014						
Mr. Chen Yihong (b)	**139**	**1,796**	**236**	**48**	**37**	**2,256**
Mr. Gao Yu (c)	**158**	**—**	**—**	**—**	**—**	**158**
Mr. Qin Dazhong (d)	**128**	**1,533**	**203**	**48**	**37**	**1,949**
Mr. Xiang Bing	**158**	**—**	**—**	**—**	**—**	**158**
Mr. Xu Yudi	**158**	**—**	**—**	**—**	**—**	**158**
Ms. Chen Chen (d)	**11**	**109**	**196**	**4**	**3**	**323**
	752	**3,438**	**635**	**100**	**77**	**5,002**
Year ended 31 December 2013						
Mr. Chen Yihong (b)	141	1,797	236	44	37	2,255
Mr. Xiang Bing	160	—	—	—	—	160
Mr. Xu Yudi	160	—	—	—	—	160
Mr. Jin Zhiguo (c)	64	—	—	—	—	64
Mr. Gao Yu (c)	97	—	—	—	—	97
Mr. Qin Dazhong (d)	141	1,517	203	(1,056)	37	842
	763	3,314	439	(1,012)	74	3,578

Note:

(a) Other benefits include insurance premium and Performance Unit Plan charged to the consolidated income statement during the year.

(b) Mr. Chen Yihong is also the chief executive of the Group.

(c) Mr. Jin Zhiguo has resigned as an independent non-executive director and the member of the audit committee and nomination committee of the Company with effect from 24 May 2013. On the same date, Mr. Gao Yu was appointed as an independent non-executive director and a member of the audit committee and nomination committee of the Company.

(d) Mr. Qin Dazhong has resigned as chief operating officer, executive director and a member of the executive committee of the Company with effect from 4 December 2014. On the same date, Ms. Chen Chen was appointed as executive director and a member of the executive committee of the Company.

8 EMPLOYEE SALARY AND BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

Notes: (Continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2013: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2013: four) individuals during the year are as follows:

	2014 RMB'000	2013 RMB'000
Salaries, Performance Unit Plan and others	9,413	6,451
Pension costs	110	113
	9,523	6,564

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands:		
RMB787,551 to RMB1,575,100 (HKD1,000,001 to HKD2,000,000)	2	1
RMB1,575,101 to RMB2,362,650 (HKD2,000,001 to HKD3,000,000)	2	3
RMB2,362,651 to RMB3,937,750 (HKD3,000,001 to HKD5,000,000)	—	—
	4	4

9 FINANCE (COST)/INCOME, NET

	2014 RMB'000	2013 RMB'000
Finance income:		
— Interest income	6,961	54,130
Finance cost:		
— Foreign exchange losses	(17,582)	(1,020)
— Others	(3,123)	(3,281)
	(20,705)	(4,301)
Finance (cost)/income, net	(13,744)	49,829

10 INCOME TAX EXPENSE

	2014 **RMB'000**	2013 RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	**76,647**	65,466
— Taxation in Japan	**858**	1,229
Deferred income tax (Note 20)	**(15,787)**	5,248
	61,718	71,943

The Company was incorporated in the Cayman Islands. Under the laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company.

Hong Kong profits tax and Singapore profits tax have not been provided as there are no estimated assessable profits arising in or derived from Hong Kong and Singapore during the year ended 31 December 2014 (2013: nil).

According to the New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the year ended 31 December 2014, the Group decided not to distribute and permanently reinvest the retained earnings as at 31 December 2014 of the PRC subsidiaries. Therefore, deferred tax liabilities in respect of those profits of RMB30,136,000 was reversed (Note 20).

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the year ended 31 December 2014 applicable to the subsidiary is 30% (2013: 30%) of the assessable profit. The inhabitant tax is determined based on rates on the income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the year ended 31 December 2014 (2013: nil), the subsidiary was subject to the minimum inhabitant tax payments.

10 INCOME TAX EXPENSE (Continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profits of the consolidated companies as follows:

	2014 RMB'000	2013 RMB'000
Profit before income tax	**975,127**	275,011
Tax calculated at the statutory tax rate of 25% (2013: 25%) from PRC operating subsidiaries	**243,782**	68,753
Tax effects of:		
— Utilisation of previous unrecognised tax losses	**(6,370)**	(4,805)
— Tax losses for which no deferred income tax asset was recognised	**19,909**	16,425
— Effects of different tax rates of certain subsidiaries	**(163,617)**	(4,453)
— Income not subject to tax	**1,983**	(4,174)
— Expenses not deductible for tax purpose	**2,234**	2,384
— Reversal of deferred tax liability (Note 20)	**(30,136)**	—
— Others	**(6,067)**	(2,187)
Income tax expense	**61,718**	71,943

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme during the year.

	2014	2013
Profit attributable to owners of the Company (RMB'000)	**915,351**	210,266
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,511,030**	5,508,643
Basic earnings per share (RMB cents per share)	**16.61**	3.82

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 December 2014, there were no potential diluted ordinary shares (2013: Nil) and therefore no diluted earnings per share is presented.

12 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 December 2014 is dealt with in the financial statements of the Company to the extent of approximately RMB15,450,000 (2013: profit of RMB20,105,000).

13 INTERESTS IN SUBSIDIARIES — COMPANY

(a) Investments in subsidiaries

	2014 RMB'000	2013 RMB'000
Interests in subsidiaries		
Unlisted investments, at cost	**10,123,862**	10,123,862
Contribution related to share based payments	**28,457**	28,457
Contribution related to the Restricted Share Award Scheme (Note 27(b))	**87,138**	87,138
	10,239,457	10,239,457
Less: provision for impairment	**(3,332,440)**	(3,332,440)
	6,907,017	6,907,017

Notes:

(i) The particulars of the principal subsidiaries of the Group are set in Note 38 to the consolidated financial statements.

(ii) Impairment tests for interests in subsidiaries

In the assessment of the provision for impairment of subsidiaries, the interests in subsidiaries engaged in the distribution and retail of sport apparel in China were viewed as one cash-generating unit ("China CGU"). The recoverable amounts of the CGU have been determined based on value-in-use calculations.

(b) Amounts due from and to subsidiaries

	2014 RMB'000	2013 RMB'000
Amounts due from subsidiaries-current and non current	**1,848,325**	1,828,162
Amounts due to subsidiaries	**244,506**	124,404

Notes:

The amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

13 INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

(c) Material non-controlling interest

In year 2008, the Company acquired 91% equity interest of Phenix Co., Ltd, which was in net liabilities position on date of the acquisition and non-controlling interest in relation to Phenix Co., Ltd was recognized since Phenix Co., Ltd made profit in year 2010. The non-controlling interests as at 31 December 2014 was of RMB18,868,000 for Phenix Co., Ltd.

Set out below are the summarised financial information for a subsidiary that has non-controlling interest that are material to the Group.

Summarised balance sheet

	Phenix Co., Ltd.	
	2014	2013
	RMB'000	RMB'000
Current		
Assets	**295,171**	308,931
Liabilities	**(175,644)**	(164,870)
Total current net assets	**119,527**	144,061
Non-current		
Assets	**56,887**	72,849
Liabilities	**(193,049)**	(217,221)
Total non-current net liabilities	**(136,162)**	(144,372)
Net liabilities	**(16,635)**	(311)

Summarised income statement

	Phenix Co., Ltd.	
	2014	2013
	RMB'000	RMB'000
Revenue	**436,855**	516,721
Loss before income tax	**(20,054)**	(37,207)
Income tax expense	**(686)**	(1,014)
Post-tax loss	**(20,740)**	(38,221)
Total comprehensive loss	**(20,740)**	(38,221)
Total comprehensive loss allocated to non-controlling Interest	**(1,866)**	(3,440)

13 INTERESTS IN SUBSIDIARIES — COMPANY (Continued)

(c) Material non-controlling interest (Continued)

Summarised cash flows

	Phenix Co., Ltd.	
	2014	2013
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**6,509**	69,150
Interest paid	**(2,778)**	(2,885)
Income tax paid	**(1,085)**	(1,477)
Net cash generated from operating activities	**2,646**	64,788
Net cash generated from investing activities	**2,301**	143
Net cash generated from/(used in) financing activities	**10,924**	(57,293)
Net increase in cash and cash equivalents	**15,871**	7,638
Cash and cash equivalents at beginning of year	**92,535**	104,665
Exchange losses on cash and cash equivalents	**(33,473)**	(19,768)
Cash and cash equivalents at end of year	**74,933**	92,535

The information above is the amount before inter-company eliminations.

14 PROPERTY, PLANT AND EQUIPMENT — GROUP

	Freehold land RMB'000	Buildings RMB'000	Office furniture and equipment RMB'000	Vehicles RMB'000	Leasehold improvements RMB'000	Construction -in-progress RMB'000	Total RMB'000
At 1 January 2013							
Cost	5,108	87,120	55,870	8,345	19,768	877	177,088
Accumulated depreciation	—	(22,269)	(37,879)	(6,388)	(10,229)	—	(76,765)
Exchange difference	148	402	(153)	—	531	(50)	878
Net book amount	5,256	65,253	17,838	1,957	10,070	827	101,201
Year ended 31 December 2013							
Opening net book amount	5,256	65,253	17,838	1,957	10,070	827	101,201
Additions	—	56	5,320	2	2,344	726	8,448
Disposals							
— Cost	—	(536)	(3,806)	(864)	(1,112)	(1,466)	(7,784)
— Depreciation	—	350	2,388	821	1,008	—	4,567
Depreciation (Note 6)	—	(3,376)	(8,512)	(666)	(2,676)	—	(15,230)
Exchange difference	(727)	(479)	(1,883)	—	(2,059)	(87)	(5,235)
Closing net book amount	4,529	61,268	11,345	1,250	7,575	—	85,967
At 31 December 2013							
Cost	5,108	86,640	57,384	7,483	21,000	137	177,752
Accumulated depreciation	—	(25,295)	(44,003)	(6,233)	(11,897)	—	(87,428)
Exchange difference	(579)	(77)	(2,036)	—	(1,528)	(137)	(4,357)
Net book amount	4,529	61,268	11,345	1,250	7,575	—	85,967
Year ended 31 December 2014							
Opening net book amount	**4,529**	**61,268**	**11,345**	**1,250**	**7,575**	**—**	**85,967**
Additions	**—**	**34**	**3,134**	**146**	**444**	**207**	**3,965**
Disposals							
— Cost	**—**	**(192)**	**(4,077)**	**(1,553)**	**(6,883)**	**—**	**(12,705)**
— Depreciation	**—**	**130**	**3,148**	**1,469**	**5,416**	**—**	**10,163**
Depreciation (Note 6)	**—**	**(3,294)**	**(8,655)**	**(452)**	**(1,441)**	**—**	**(13,842)**
Exchange difference	**(305)**	**(201)**	**(628)**	**—**	**(819)**	**—**	**(1,953)**
Closing net book amount	**4,224**	**57,745**	**4,267**	**860**	**4,292**	**207**	**71,595**
At 31 December 2014							
Cost	**5,108**	**86,482**	**56,441**	**6,076**	**14,561**	**344**	**169,012**
Accumulated depreciation	**—**	**(28,459)**	**(49,510)**	**(5,216)**	**(7,922)**	**—**	**(91,107)**
Exchange difference	**(884)**	**(278)**	**(2,664)**	**—**	**(2,347)**	**(137)**	**(6,310)**
Net book amount	**4,224**	**57,745**	**4,267**	**860**	**4,292**	**207**	**71,595**

14 PROPERTY, PLANT AND EQUIPMENT — GROUP (Continued)

Depreciation expenses have been charged to the consolidated income statement as follows:

	2014 RMB'000	2013 RMB'000
Distribution and selling expenses	3,572	4,980
Administrative expenses	7,927	7,774
Manufacturing overheads included in cost of goods sold	2,343	2,476
	13,842	15,230

There is no pledge of property, plant and equipment of the Group as at 31 December 2014 and 2013.

The Group owns freehold land and buildings located in Shibata City, Niigata province, Japan.

The Group also owns buildings on land with land use right periods within 50 years located in Beijing and Jiangsu province, the PRC.

15 LEASE PREPAYMENTS — GROUP

	Lease prepayments for land use rights RMB'000	Lease prepayments for stores RMB'000	Total RMB'000
At 1 January 2013			
Cost	14,262	172,787	187,049
Accumulated amortisation	(1,969)	(172,787)	(174,756)
Net book amount	12,293	—	12,293
Year ended 31 December 2013			
Opening net book amount	12,293	—	12,293
Amortisation (Note 6)	(285)	—	(285)
Closing net book amount	12,008	—	12,008
At 31 December 2013			
Cost	14,262	172,787	187,049
Accumulated amortisation	(2,254)	(172,787)	(175,041)
Net book amount	12,008	—	12,008
Year ended 31 December 2014			
Opening net book amount	**12,008**	**—**	**12,008**
Amortisation (Note 6)	**(286)**	**—**	**(286)**
Closing net book amount	**11,722**	**—**	**11,722**
At 31 December 2014			
Cost	**14,262**	**—**	**14,262**
Accumulated amortisation	**(2,540)**	**—**	**(2,540)**
Net book amount	**11,722**	**—**	**11,722**

Lease prepayments for land use rights represent the Group's interests in land in the PRC and held on leases within 50 years. As at 31 December 2014, the remaining lease periods of the land use right are from 41 to 42 years.

Amortisation expenses of the Group's lease prepayments for land use rights and for stores have been charged to administrative expenses and distribution and selling expenses in the consolidated income statements, respectively.

16 INTANGIBLE ASSETS — GROUP

	KAPPA trademarks	Phenix trademark and others	Computer software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013				
Cost	397,569	8,605	59,619	465,793
Accumulated amortisation	(148,264)	(1,003)	(47,025)	(196,292)
Exchange difference	1,902	—	624	2,526
Net book amount	251,207	7,602	13,218	272,027
Year ended 31 December 2013				
Opening net book amount	251,207	7,602	13,218	272,027
Additions	—	—	3,037	3,037
Amortisation charge (Note 6)	(7,566)	(215)	(5,694)	(13,475)
Exchange difference	(3,992)	—	(456)	(4,448)
Closing net book amount	239,649	7,387	10,105	257,141
At 31 December 2013				
Cost	397,569	8,605	62,656	468,830
Accumulated amortisation	(155,830)	(1,218)	(52,719)	(209,767)
Exchange difference	(2,090)	—	168	(1,922)
Net book amount	239,649	7,387	10,105	257,141
Year ended 31 December 2014				
Opening net book amount	**239,649**	**7,387**	**10,105**	**257,141**
Additions	**—**	**—**	**4,750**	**4,750**
Deduction — Cost	**—**	**—**	**(27)**	**(27)**
Deduction — Amortisation	**—**	**—**	**27**	**27**
Amortisation charge (Note 6)	**(7,025)**	**(425)**	**(5,356)**	**(12,806)**
Exchange difference	**(2,070)**	**640**	**(143)**	**(1,573)**
Closing net book amount	**230,554**	**7,602**	**9,356**	**247,512**
At 31 December 2014				
Cost	**397,569**	**8,605**	**65,513**	**471,687**
Accumulated amortisation	**(163,280)**	**(1,003)**	**(56,179)**	**(220,462)**
Exchange difference	**(3,735)**	**—**	**22**	**(3,713)**
Net book amount	**230,554**	**7,602**	**9,356**	**247,512**

16 INTANGIBLE ASSETS — GROUP (Continued)

The KAPPA trademarks represent the perpetual rights of the use of KAPPA trademarks in the PRC, Macau and Japan. The KAPPA trademarks for the PRC and Macau were purchased by the Group from a third party in 2006 at a consideration of USD35,000,000 (equivalent to approximately RMB280,994,000). The KAPPA trademarks for Japan were obtained in the acquisition of Phenix Co., Ltd. ("Phenix") in April 2008. The KAPPA trademarks are subject to amortisation on a straight-line basis over an estimated useful life of 40 years.

Amortisation expenses in relation to trademarks have been charged to distribution and selling expenses and those in relation to computer software have been charged to administrative expenses in the consolidated income statement.

17 INTEREST IN A JOINT VENTURE — GROUP

	2014 RMB'000	2013 RMB'000
At 1 January	15,591	15,562
Share of profits	256	287
Exchange differences	(226)	(258)
At 31 December, share of net assets	15,621	15,591

Nature of investment in joint venture in year 2014 and 2013

Company name	Country of incorporation	Particulars of issued/registered capital	Interest held	Principal activities	Measurement method
Indirectly held:					
Shanghai Phenix Apparel Co., Ltd.	PRC	USD4,300,000	38% (Note a)	Production and sale of apparel and sportswear	Equity

There are no material contingent liabilities relating to the Group's interest in a joint venture and no material contingent liabilities of the joint venture.

Note a: According to Articles of Association of Shanghai Phenix Apparel Co., Ltd., the company's board resolutions should be passed upon unanimous approval of all board members.

17 INTERESTS IN A JOINT VENTURE — GROUP (Continued)

The financial information below, after necessary adjustments to conform with the Group's significant accounting policies, represents the Group's respective interests in a joint venture as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Total assets	**20,056**	20,616
Total liabilities	**(4,435)**	(5,024)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Revenue	**15,116**	14,945
Share of profits after income tax for the year	**256**	287

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY

(a) Group

	Available-for-sale	Financial assets at fair value through profit or loss	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets as per balance sheet				
As at 31 December 2014				
Available-for-sale financial assets (Note 19)	**4,580,210**	**—**	**—**	**4,580,210**
Other financial assets (Note 24)	**—**	**271,520**	**2,830,074**	**3,101,594**
Trade and other receivables excluding prepayments (Note 22 and 23)	**—**	**—**	**424,803**	**424,803**
Cash and bank balances (Note 25)	**—**	**—**	**2,545,680**	**2,545,680**
	4,580,210	**271,520**	**5,880,557**	**10,652,287**
As at 31 December 2013				
Available-for-sale financial assets (Note 19)	3,223,605	—	—	3,223,605
Other financial assets (Note 24)	—	—	3,551,091	3,551,091
Trade and other receivables excluding prepayments (Note 22 and 23)	—	—	437,967	437,967
Cash and bank balances (Note 25)	—	—	1,096,797	1,096,797
	3,223,605	—	5,085,855	8,309,460

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (Continued)

(a) Group (Continued)

	Financial liabilities at amortised cost
	RMB'000
Liabilities as per balance sheet	
As at 31 December 2014	
Other financial liability (Note 31)	**609,020**
Trade and other payables (Note 29 and 30)	**224,900**
	833,920
As at 31 December 2013	
Trade and other payables (Note 29 and 30)	209,465
	209,465

(b) Company

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	RMB'000	RMB'000	RMB'000
Assets as per balance sheet			
As at 31 December 2014			
Amounts due from subsidiaries (Note 13)	**—**	**1,848,325**	**1,848,325**
Trade and other receivables (Note 22 and 23)	**—**	**37,459**	**37,459**
Other financial assets (Note 24)	**124,664**	**—**	**124,664**
Cash and bank balances (Note 25)	**—**	**483,069**	**483,069**
	124,664	**2,368,853**	**2,493,517**
As at 31 December 2013			
Amounts due from subsidiaries (Note 13)	—	1,828,162	1,828,162
Trade and other receivables (Note 22 and 23)	—	18,570	18,570
Other financial assets (Note 24)	—	437,813	437,813
Cash and bank balances (Note 25)	—	245,257	245,257
	—	2,529,802	2,529,802

18 FINANCIAL INSTRUMENTS BY CATEGORY — GROUP AND COMPANY (Continued)

(b) Company (Continued)

	Financial liabilities at amortised cost 2014 RMB'000	2013 RMB'000
Liabilities as per balance sheet		
Amounts due to subsidiaries (Note 13)	**244,506**	124,404
Accruals and other payables (Note 30)	**3,731**	2,018
	248,237	126,422

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2014 RMB'000	2013 RMB'000
Available-for-sale financial assets		
At 1 January	**3,223,605**	1,026,587
Currency translation differences	**11,574**	(49,632)
Additions	**789,908**	559,390
Disposals — cost	**(440,834)**	(1,349)
Disposals — fair value reclassified to income statement	**(731,497)**	(1,151)
Change in fair value	**1,727,454**	1,716,878
Impairment losses	**—**	(27,118)
At 31 December	**4,580,210**	3,223,605

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP (Continued)

The available-for-sale financial assets include the following:

	2014 RMB'000	2013 RMB'000
Listed equity securities in the US in — Mecox Lane	—	22,496
Market value of listed securities	—	22,496
Unlisted securities		
Equity securities		
— Yunfeng E-Commerce Funds — US (Note (a))	3,229,119	2,427,786
— CITIC Mezzanine Fund I — PRC (Note (b))	237,604	276,253
— Yuanxin Dongchao — PRC (Note (c))	164,929	—
— Shanghai Panxin — PRC (Note (d))	202,125	—
— Others (Note (e))	746,433	497,070
	4,580,210	3,201,109

Available-for-sale financial assets are denominated in the following currencies:

	2014 RMB'000	2013 RMB'000
US dollar	3,311,846	2,056,352
Renminbi	1,268,364	1,167,253
	4,580,210	3,223,605

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP (Continued)

Notes:

(a) In September 2011, the Group subscribed for limited partnership agreements with Yunfeng E-Commerce Funds, pursuant to which the Group subscribed for limited partnership interests with a total capital commitment of USD100,000,000 (equivalent to RMB638,080,000 at historical exchange rate), which had been fully paid as at 31 December 2012. The Yunfeng E-Commerce Funds are established for the purpose of making investments in Alibaba, a leading group in the Chinese e-commerce industry.

In September 2014, Alibaba was listed on NYSE. Pursuant to Alibaba's Initial Public Offerings ("IPO"), Yunfeng E-Commerce Funds disposed part of Alibaba's shares and distributed disposal gains to its limited partners. Accordingly, the Group recognised other gains of approximately RMB685,856,000.

As at 31 December 2014, the investment in Yunfeng E-Commerce Funds were stated at fair value, and an unrealised fair value increment of RMB973,352,000 (2013: RMB1,711,245,000) was charged to other comprehensive income.

(b) In September 2011, the Group entered into subscription agreements and limited partnership agreements with CITIC Mezzanine Fund I, which is a limited partnership established for the purpose of making equity and debt investments in the PRC. As at 31 December 2014, the investment was stated at fair value of RMB237,604,000.

(c) In September 2014, the Group entered into subscription agreements and limited partnership agreements with Yuanxin Dongchao, which invested in manufacturing industry. The investment is measured at fair value of RMB164,929,000 at year end.

(d) In November 2014, the Group entered into subscription agreements and limited partnership agreements with Shanghai Panxin, which is established for the purpose of making equity and debt investments in PRC. As at 31 December 2014, the investment was stated at fair value at RMB202,125,000.

(e) Other equity investments are stated at fair value at year end and mainly include investments in unlisted investment funds, whose investments are mainly in high-tech industry, finance service industry and manufacturing industry.

The valuation techniques of other equity investments mainly include last traded price, net assets value and other techniques. The unobservable inputs mainly include liquidity discount and others.

20 DEFERRED INCOME TAX — GROUP

	2014 RMB'000	2013 RMB'000
Deferred income tax assets		
— To be recovered after more than 12 months	—	9,381
— To be recovered within 12 months	90,846	88,448
	90,846	97,829
Deferred income tax liabilities		
— To be recovered after more than 12 months	(10,190)	(33,501)
— To be recovered within 12 months	(614)	(73)
	(10,804)	(33,574)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same tax authority.

The movements in deferred income tax assets and liabilities during the year without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

Deferred income tax assets:

	Provision for sales returns/ rebates RMB'000	Provision for impairment of inventories RMB'000	Provision for impairment of trade receivables RMB'000	Other accrued expenses RMB'000	Total RMB'000
At 1 January 2013	17,506	39,453	16,590	20,116	93,665
(Charged)/credited to the income statement (Note 10)	(10,629)	(10,114)	25,732	(825)	4,164
At 31 December 2013	6,877	29,339	42,322	19,291	97,829
(Charged)/credited to the income statement (Note 10)	(6,675)	(10,490)	9,209	973	(6,983)
At 31 December 2014	202	18,849	51,531	20,264	90,846

20 DEFERRED INCOME TAX — GROUP (Continued)

Deferred tax liabilities:

	Other gains recognised in relation to other financial assets RMB'000	Withholding income tax on profit distribution of PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	—	(20,436)	(3,726)	(24,162)
Credited/(charged) to the income statement (Note 10)	—	(9,700)	288	(9,412)
At 31 December 2013	—	(30,136)	(3,438)	(33,574)
Credited/(charged) to the income statement (Note 10)	(8,020)	30,136	654	22,770
At 31 December 2014	**(8,020)**	**—**	**(2,784)**	**(10,804)**

As at 31 December 2014, deferred income tax assets of RMB77,758,000 (2013: RMB102,448,000) have not been recognised in respect of the tax losses amounting to RMB311,033,000 (2013: RMB409,792,000) which can be carried forward against future taxable income. The tax losses mainly resulted from accumulated operating losses of the subsidiaries of the Group.

According to the New CIT Law, distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. During the year ended 31 December 2014, the Group decided not to distribute the retained earnings as at 31 December 2014 of the PRC subsidiaries. Therefore, deferred tax liabilities in respect of those profits of RMB30,136,000 were reversed. Such amounts are intended to be permanently reinvested.

21 INVENTORIES — GROUP

	2014 RMB'000	2013 RMB'000
Finished goods		
— Carried at cost	151,929	105,835
— Carried at net realisable value	44,311	55,766
Raw materials and others		
— Carried at cost	255	19,932
— Carried at net realisable value	9,997	1,225
	206,492	182,758

The cost of inventories recognised as cost of goods sold amounted to approximately RMB621,458,000 (2013: RMB733,184,000) (Note 6) for the year ended 31 December 2014.

As at 31 December 2014, in view of that the actual clearance sales of the out-season inventories during the year ended 31 December 2014 was better than the forecast, the Group reversed inventory provision of RMB41,107,000 (2013: RMB30,665,000).

22 TRADE RECEIVABLES — GROUP AND COMPANY

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Trade receivables				
— Third parties	346,250	353,455	—	—
— Related parties (Note 36(b))	155,720	163,250	33,114	13,198
	501,970	516,705	33,114	13,198
Less: provision for impairment	(183,760)	(183,664)	—	—
Trade receivables, net	318,210	333,041	33,114	13,198

22 TRADE RECEIVABLES — GROUP AND COMPANY (Continued)

The Group's sales are mainly made on credit terms ranging from 30 to 60 days. The ageing analysis of trade receivables as at 31 December 2014 and 2013 was as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within credit terms	**270,617**	223,509	**33,114**	13,198
Within 30 days	**45,629**	37,274	**—**	—
31 to 120 days	**103,418**	90,579	**—**	—
Over 120 days	**82,306**	165,343	**—**	—
	501,970	516,705	**33,114**	13,198

The trade receivables were mainly denominated in RMB and JPY. Their carrying amounts approximated their fair values as at the balance sheet dates.

As at 31 December 2014, trade receivables of RMB231,353,000 (2013: RMB293,196,000) were past due, of which RMB183,760,000 (2013: RMB183,664,000) were impaired and fully provided for. The trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The movements in provision for impairment of trade receivables are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
At 1 January	**183,664**	81,688	**—**	—
Provision for impairment losses of receivables	**369**	102,473	**—**	—
Exchange difference	**(273)**	(497)	**—**	—
At 31 December	**183,760**	183,664	**—**	—

As of 31 December 2014, trade receivables of RMB47,593,000 (2013: RMB109,532,000) were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of these trade receivables is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 30 days	**45,629**	37,274
31 to 120 days	**1,964**	72,258
	47,593	109,532

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current portion:				
Advance payments to suppliers	**12,718**	7,544	**—**	—
Interest receivables	**3,421**	9,956	**—**	464
Deposits for operating leases	**14,564**	16,430	**—**	—
Amounts due from related party (Note 36(b))	**15,005**	1,123	**—**	—
Other receivables	**35,203**	22,113	**4,345**	4,908
	80,911	57,166	**4,345**	5,372
Non-current portion:				
Amounts due to related party (Note 36(b))	**8,421**	18,723	**—**	—
Deposits for operating leases	**29,979**	36,581	**—**	—
	38,400	55,304	**—**	—

The prepayments, deposits and other receivables were mainly denominated in RMB and JPY. Their carrying amounts approximated their fair values as at the balance sheet dates. There were no impaired assets as at the balance sheet dates.

24 OTHER FINANCIAL ASSETS — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other financial assets-non-current portion				
Other financial asset at fair value through profit or loss				
— Preferred shares (Note (a))	**124,664**	—	**124,664**	—
— Equity investment (Note (a))	**146,856**	—	**—**	—
Debt securities at amortised cost (Note (b))	**50,243**	—	**—**	—
	321,763	—	**124,664**	—
Other financial assets-current portion				
Loans and receivables				
— Treasury products issued by commercial banks (Note (c))	**2,079,905**	3,551,091	**—**	437,813
Debt securities at amortised cost (Note (d))	**699,926**	—	**—**	—
	2,779,831	3,551,091	**—**	437,813

Notes:

(a) The financial assets at fair value through profit or loss include investments in preferred shares of a HK listed company and equity interest in a company whose shares are traded in over-the-counter market.

(b) In October 2014, the Group lent RMB50,000,000 to Chengdu Yongzhi Investment Co., Ltd at the interest rate of 18% per annum with the maturity of 24 months.

(c) The treasury products are unlisted, issued by listed commercial banks in the PRC. The principals of these investments are guaranteed. The investments are interest bearing at rates ranging from 4.8% to 6.0% (2013: 4.8% to 6.0%) per annum, denominated in RMB and with maturity periods within one year.

(d) As at December 2014, the current debt securities held by the Group mainly include:

(i) In December 2014, the Group lent RMB200,000,000 to CITIC Mezzanine Fund I at the interest rate of 12% per annum with the maturity of two months. The principal and interest of this loan has been received by the Group before the issue date of these financial statements.

(ii) In December 2014, the Group lent RMB237,410,000 (USD38,800,000) to China Copper Industry Group Limited at the interest rate of 9% per annum with maturity of two months. The principal and interest of this loan has been received by the Group before the issue date of these financial statements.

(iii) In December 2014, the Group lent RMB200,000,000 to Shenzhen Chengwei New Material Co., Ltd. at the interest rate of 9% per annum with maturity of one month. The principal and interest of this loan has been received by the Group before the issue date of these financial statements.

25 CASH AND BANK BALANCES — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Restricted bank deposits	**53,094**	52,376	**—**	—
Term deposits with initial terms over three months and within one year	**766,019**	763,569	**465,658**	231,726
Cash and cash equivalents	**1,726,567**	280,852	**17,411**	13,531
	2,545,680	1,096,797	**483,069**	245,257

The restricted bank deposits as at 31 December 2014 comprised deposits held in bank accounts for issue of letters of credit for certain subsidiaries of the Group. As at 31 December 2014, the average interest rate on the restricted bank deposits was 2.25% (2013: 2.03%) per annum.

The cash and cash equivalents represent cash deposits held at call with banks and in hand.

As at 31 December 2014 and 2013, the cash and bank balances were denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
RMB	**881,914**	558,930	**3,327**	94,350
USD	**1,262,889**	139,508	**454,358**	127,086
HKD	**328,714**	313,590	**25,384**	23,821
JPY	**71,227**	84,083	**—**	—
Others	**936**	686	**—**	—
	2,545,680	1,096,797	**483,069**	245,257

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

26 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT — GROUP AND COMPANY

	Authorised capital	
	Number of ordinary shares of par value	Nominal value of ordinary shares
	HKD$0.01	HKD'000
At 31 December 2014 and 2013	10,000,000,000	100,000

	Issued and fully paid				
	Number of issued ordinary shares of par value	Nominal value of issued ordinary shares	Equivalent nominal value of issued ordinary shares in RMB	Share premium account	Total
	HKD$0.01	HKD'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	5,536,401,000	55,365	53,589	1,984,059	2,037,648
Dividends paid (Note 33)	—	—	—	(120,140)	(120,140)
At 31 December 2013	5,536,401,000	55,365	53,589	1,863,919	1,917,508
At 1 January 2014	**5,536,401,000**	**55,365**	**53,589**	**1,863,919**	**1,917,508**
Dividends paid (Note 33)	**—**	**—**	**—**	**(150,036)**	**(150,036)**
Currency translation difference	**—**	**—**	**—**	**436**	**436**
At 31 December 2014	**5,536,401,000**	**55,365**	**53,589**	**1,714,319**	**1,767,908**
Represented by:					
Proposed dividend (Note 33)				573,202	
Share premium reserve				1,141,117	
				1,714,319	

Under the Companies Law of the Cayman Islands, the share premium account is available for distribution to shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed the Company is in a position to pay off its debts as they fall due in the ordinary course of business of the Company.

27 SHARE BASED COMPENSATION SCHEMES

(a) Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 12 September 2007, the purpose of which is to provide an incentive for employees and persons contributing to the Group. The Share Option Scheme shall be valid and effective for 10 years from the date of listing of the Company. The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes of the Group shall not exceed 10% of the number of issued shares of the Company from time to time.

No share options had been granted by the Company during the years ended 31 December 2013 and 2014 and there were no outstanding share options granted as at 31 December 2014.

(b) Restricted Share Award Scheme

The Company adopted the Restricted Share Award Scheme (Note 2.20(b)) on 10 December 2010. The objective of the Restricted Share Award Scheme is to encourage and retain selected participants including directors and employees of the Group to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, the China Dongxiang (Group) Co., Ltd Restricted Share Award Scheme Trust (the "Trust") was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. No further purchase of shares of the Company has been made since December 2010. The total amount of RMB87,138,000 paid to acquire the shares was financed by the Company by way of contributions made to the Trust. As the financial and operational policies of the Trust are governed by the Group and Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

When restricted shares are granted to selected participants, the fair value of the restricted shares awarded based on the market value of the Company's shares on the date of grant is charged as employee expenses in the consolidated income statement of the Group.

During the year ended 31 December 2014, 2,774,000 shares out of the 30,000,000 shares purchased from the open market in 2010 as described above, with the fair value of RMB3,305,000 (2013: RMB1,635,000), were granted to four members of senior management under Restricted Share Award Scheme.

28 RESERVES — GROUP AND COMPANY

	Group							
	Capital reserves	Share-based compensation reserve	Statutory reserves	Exchange reserve	Fair value reserve	Shares held for Restricted Share Award Scheme	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	296,390	2,058	20,047	(501,317)	137,194	(84,413)	5,015,015	4,884,974
Profit for the year	—	—	—	—	—	—	210,266	210,266
Change in fair value of available-for-sale financial assets (Note 19)	—	—	—	—	1,716,878	—	—	1,716,878
Foreign currency translation reserve (Note (b))	—	—	—	(122,652)	—	—	—	(122,652)
Dividends relating to the shares held for Restricted Share Award Scheme (Note 27(b))	589	—	—	—	—	—	—	589
Appropriation to statutory reserve (Note (c))	—	—	1,791	—	—	—	(1,791)	—
Shares vested under Restricted Share Award Scheme	(4,938)	1,635	—	—	—	4,938	—	1,635
At 31 December 2013	292,041	3,693	21,838	(623,969)	1,854,072	(79,475)	5,223,490	6,691,690
At 1 January 2014	**292,041**	**3,693**	**21,838**	**(623,969)**	**1,854,072**	**(79,475)**	**5,223,490**	**6,691,690**
Profit for the year	—	—	—	—	—	—	**915,351**	**915,351**
Change in fair value of available-for-sale financial assets (Note 19)	—	—	—	—	**966,332**	—	—	**966,332**
Foreign currency translation reserve (Note (b))	—	—	—	**(5,194)**	—	—	—	**(5,194)**
Dividends relating to the shares held for Restricted Share Award Scheme (Note 27(b))	**676**	—	—	—	—	—	—	**676**
Appropriation to statutory reserves (Note (c))	—	—	**2,311**	—	—	—	**(2,311)**	—
Shares vested under Restricted Share Award Scheme	**(8,057)**	**3,305**	—	—	—	**8,057**	—	**3,305**
At 31 December 2014	**284,660**	**6,998**	**24,149**	**(629,163)**	**2,820,404**	**(71,418)**	**6,136,530**	**8,572,160**

28 RESERVES — GROUP AND COMPANY (Continued)

	Company				
	Capital reserves RMB'000	Share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2013	10,052,372	1,342	(618,090)	(1,988,469)	7,447,155
Profit for the year (Note 12)	—	—	—	20,105	20,105
Foreign currency translation reserve (Note (b))	—	—	(74,371)	—	(74,371)
At 31 December 2013	10,052,372	1,342	(692,461)	(1,968,364)	7,392,889
At 1 January 2014	**10,052,372**	**1,342**	**(692,461)**	**(1,968,364)**	**7,392,889**
Loss for the year (Note 12)	**—**	**—**	**—**	**(15,450)**	**(15,450)**
Foreign currency translation reserve (Note (b))	**—**	**—**	**8,910**	**—**	**8,910**
At 31 December 2014	**10,052,372**	**1,342**	**(683,551)**	**(1,983,814)**	**7,386,349**

Notes:

(a) The capital reserves represents mainly the difference between the fair value of shares of the Company issued and the carrying amount of the net assets of the subsidiaries acquired under common control combination upon group reorganisation in the year 2007.

(b) Foreign currency translation reserve represents the difference arising from the translation of the financial statements of companies within the Group that have a functional currency different from the presentation currency of RMB for the financial statements of the Company and the Group.

(c) The Company's subsidiaries incorporated in the PRC are required to make appropriations to statutory reserves from their profit for the year after offsetting accumulated losses carried forward from prior years as determined under the PRC accounting regulations and before distribution to equity holders. The percentages to be appropriated to such statutory reserve are determined according to the relevant regulations in the PRC, and further appropriation is optional when the accumulated fund is 50% or more of the registered capital of the subsidiaries.

29 TRADE PAYABLES — GROUP

The ageing analysis of trade payables as at 31 December 2014 and 2013 was as follows:

	2014 RMB'000	2013 RMB'000
Within credit terms	**107,686**	119,107
Within 30 days	**37,861**	5,231
31 to 120 days	**1,991**	15,739
Over 120 days	**8,173**	7,958
	155,711	148,035

The trade payables are mainly denominated in RMB and JPY. The carrying amounts of trade payables approximated their fair values as at the balance sheet dates.

30 ACCRUALS AND OTHER PAYABLES — GROUP AND COMPANY

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Advance receipts from customers	**27,285**	15,820	**—**	—
Salary and welfare payable	**21,994**	21,953	**—**	—
Other taxes and levies payable	**11,742**	15,055	**—**	—
Accruals and other payables	**69,189**	61,430	**3,731**	2,018
	130,210	114,258	**3,731**	2,018

The carrying amounts of accruals and other payables approximated their fair values as at the balance sheet dates.

31 OTHER FINANCIAL LIABILITY — GROUP

	2014	2013
	RMB'000	RMB'000
Other financial liability	**609,020**	—

It mainly includes consideration received and indemnity recognised in relation to disposal of available-for-sale financial assets.

32 PROVISIONS — GROUP

The provision represents provision for sales returns and sales discount in Japan segment.

The movements in provisions for the year are as follows:

	2014	2013
	RMB'000	RMB'000
At 1 January	**17,836**	22,771
Utilisation	**(38,018)**	(35,674)
Provision	**40,780**	30,739
At 31 December	**20,598**	17,836

33 DIVIDENDS

	2014 RMB'000	2013 RMB'000
Interim dividend paid of RMB0.52 cent (2013: 0.50 cent) per share	**28,789**	27,682
Interim special dividend paid of RMB0.70 cent (2013: 0.67 cent) per share	**38,755**	37,094
Proposed final dividend of RMB4.44 cents (2013: 0.64 cent) per share	**245,816**	35,433
Proposed final special dividend of RMB5.91 cents (2013: 0.85 cent) per share	**327,386**	47,059
	640,746	147,268

The dividends paid in 2014 amounted to RMB150,036,000 or RMB2.71 cents per share (2013: RMB120,140,000 or RMB2.17 cents per share), comprising 2013 final dividends of RMB82,492,000 and 2014 interim dividends of RMB67,544,000 (2013: 2013 interim dividends of RMB64,776,000). The dividends of RMB676,000 (2013: RMB589,000) were paid to the shares held for Restricted Share Award Scheme (Note 27(b)).

Pursuant to a resolution passed on 25 March 2015, the board of directors of the Company proposed a final dividend and final special dividend of RMB4.44 cents and RMB5.91 cents per ordinary share of the Company, amounting to RMB245,816,000 and RMB327,386,000 for the year ended 31 December 2014 from the Company's share premium account, respectively. The final dividend and final special dividend are to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2015.

The aggregate amounts of the dividends paid during 2014 and 2013 have been disclosed in the consolidated income statement in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

34 CASH GENERATED FROM OPERATIONS

	2014 RMB'000	2013 RMB'000
Profit before income tax for the year	**975,127**	275,011
Adjustments for:		
— Depreciation of property, plant and equipment (Note 14)	**13,842**	15,230
— Loss on disposal of property, plant and equipment	**2,243**	1,291
— Amortisation of lease prepayments (Note 15)	**286**	285
— Amortisation of intangible assets (Note 16)	**12,806**	13,475
— Reversal of impairment losses of inventories (Note 6)	**(41,107)**	(30,665)
— Provision for impairment losses of trade and other receivables (Note 6)	**33,431**	102,473
— Provision for impairment losses of available-for-sale financial assets (Note 19)	**—**	27,118
— Share of profit of a joint venture (Note 17)	**(256)**	(287)
— Interest income from bank deposits (Note 9)	**(6,961)**	(54,130)
— Investment income from financial assets (Note 7)	**(280,304)**	(174,970)
— Foreign exchange losses, net (Note 9)	**17,582**	1,020
— Disposal of investment in available-for-sale financial assets (Note 7)	**(731,497)**	(1,151)
— Loss recognised in relation to other financial liability (Note 7)	**119,285**	—
	114,477	174,700
Changes in working capital:		
— Decrease in inventories	**17,373**	135,232
— Increase in trade receivables, prepayments, deposits and other receivables	**(31,976)**	(30,831)
— Increase/(decrease) in trade payables, provisions, accruals and other payables	**4,654**	(140,145)
— (Increase)/decrease in restricted bank balances	**(718)**	85,058
Cash generated from operations	**103,810**	224,014

In the consolidated cash flow statement, the proceeds from sale of property, plant and equipment comprise:

	2014 RMB'000	2013 RMB'000
Net book amount (Note 14)	**2,542**	3,217
Loss on disposal of property, plant and equipment	**(2,243)**	(1,291)
Proceeds from disposal of property, plant and equipment	**299**	1,926

35 COMMITMENTS

(a) Operating lease commitments — Group as lessee

The Group leases certain properties for retail stores, office premises, and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 RMB'000	2013 RMB'000
No later than 1 year	28,189	38,546
Later than 1 year and no later than 5 years	12,705	16,235
Over 5 years	80	134
	40,974	54,915

(b) Capital commitments

	2014 RMB'000	2013 RMB'000
Contracted but not provided for		
— For investment in Yunfeng Fund II	113,218	112,474
— For investment in Beijing Sequoia Shangye Investment Management Company LP	25,000	—
	138,218	112,474

(c) Other commitments

The Group provides sponsorship to certain sports teams, including cash payments as well as provision of sports apparel for free. The commitments as at the balance sheet dates are as follows:

	2014 RMB'000	2013 RMB'000
No later than 1 year	4,763	13,926
Later than 1 year and no later than 5 years	1,040	10,969
	5,803	24,895

36 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling party of the Group is Mr. Chen Yihong, the Chairman, Executive director and the Chief Executive Officer of the Company. Therefore, close family members of Mr. Chen Yihong and parties that are controlled, jointly controlled or significantly influenced by Mr. Chen Yihong or his close family members are considered to be related parties of the Company as well.

During the years ended and as at 31 December 2014 and 2013, the Group had the following transactions and balances with related parties:

(a) Transactions with related parties

	2014 **RMB'000**	2013 RMB'000
Sales of goods:		
— Mai Sheng Yue He Sporting Goods Co., Limited ("MSYH Group")	**324,982**	401,112
Purchase of goods:		
— Shanghai Phenix Apparel Co., Ltd	**27,336**	23,772

(b) Balances with related parties

	2014 **RMB'000**	2013 RMB'000
Account Payable		
— Shanghai Phenix Apparel Co., Ltd.	**673**	186
Trade receivables (Note 22):		
— MSYH Group	**155,720**	163,250
Other receivables (Note 23):		
Current portion		
— MSYH Group	**15,005**	1,123
Non-current portion		
— MSYH Group	**8,421**	18,723
	23,426	18,723

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	2014 **RMB'000**	2013 RMB'000
Salaries, bonus and other benefits	**15,486**	12,203
Pension — defined contribution plans	**223**	167
	15,709	12,370

Notes:

(i) Mr. Chen Yihong's brother is one of the directors of the MSYH Group and is regarded as having significant influence over the MSYH Group. As the Company is controlled by Mr. Chen Yihong, the MSYH Group is therefore regarded as a related party of the Company.

(ii) The transactions with related companies are conducted based on mutual agreements.

(iii) The receivable and payable balances with related parties are unsecured, interest free and repayable within one year.

37 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to a resolution passed on 25 March 2015, the board of directors of the Company proposed a final dividend and final special dividend of RMB4.44 cents and RMB5.91 cents per ordinary share of the Company, amounting to RMB245,816,000 and RMB327,386,000 for the year ended 31 December 2014 from the Company's share premium account, respectively. The final dividend and final special dividend are to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2015.

38 COMPARATIVE FIGURES

Certain comparative figures have been restated to be consistent with current year's presentation and classification.

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES

As at 31 December 2014, the Group had the following principal subsidiaries which, in the opinion of the directors, materially affect the results and/or assets of the Group. The companies are all limited liability companies.

Company name	Place of incorporation	Particulars of issued/ registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
Hong Kong Dongxiang Sports Development Holdings Limited	Hong Kong	10,000 ordinary shares of HKD1 each	100%	—	—	Investment holding, Hong Kong
Dongxiang (Netherlands) Cooperative U.A.	Netherlands	EUR755,738	100%	—	—	Investment holding, Netherlands
光景集團有限公司 Brilliant King Group Ltd	British Virgin Island	USD1	100%	—	—	Investment holding, British Virgin Island
明泰企業有限公司 Bright Pacific Enterprises Limited	British Virgin Island	USD1	100%	—	—	Investment holdings, British Virgin Island
Achilles Sports Pte. Ltd.	Singapore	100,000 ordinary shares of USD1 each	—	100%	—	Owns trademark, Singapore
Gaea Sports Limited	Hong Kong	1 ordinary share of HKD1	—	100%	—	Investment holding, Hong Kong
北京動向體育發展有限公司 Beijing Dongxiang Sports Development Co., Ltd.	Beijing, PRC	RMB10,000,000	—	100%	—	Design and sales of sport-related footwear, apparel and accessories, PRC
上海卡帕體育用品有限公司 Shanghai Kappa Sporting Goods Co., Ltd.	Shanghai, PRC	RMB20,000,000	—	100%	—	Design and sales of sport-related footwear, apparel and accessories, PRC
上海泰坦體育用品有限公司 Shanghai Taitan Sporting Goods Co., Ltd.	Shanghai, PRC	RMB3,000,000	—	100%	—	Design, production and sales of sport-related footwear, apparel and accessories, PRC
上海雷德體育用品有限公司 Shanghai Leide Sporting Goods Co., Ltd.	Shanghai, PRC	RMB158,000,000	—	100%	—	Design and consulting services, PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation	Particulars of issued/ registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
西亞體育用品商貿(蘇州)有限公司 Thea Sporting Goods Trading (Suzhou) Co. Ltd.	Suzhou, PRC	USD80,000,000	—	100%	—	Design and sales of sport-related footwear, apparel and accessories, and consulting services, PRC
赫拉體育用品商貿(上海)有限公司 Hera Sporting Goods Trading (Shanghai) Co. Ltd.	Shanghai, PRC	USD40,000,000	—	100%	—	Sales of sport-related footwear, apparel and accessories, PRC
考伊斯體育用品商貿(上海)有限公司 Coeus Sporting Goods Trading (Shanghai) Co. Ltd.	Shanghai, PRC	USD50,000,000	—	100%	—	Sales of sport-related footwear, apparel and accessories, PRC
上海嘉班納體育用品有限公司 Shanghai Gabbana Sporting Goods Co. Ltd.	Shanghai, PRC	RMB120,000,000	—	100%	—	Design and consulting services, PRC
上海杜爾斯體育用品有限公司 Shanghai Tours Sporting Goods Co. Ltd.	Shanghai, PRC	RMB50,418,451	—	100%	—	Design and consulting services, PRC
上海克瑞斯體育用品有限公司 Shanghai Crius Sporting Goods Co. Ltd.	Shanghai, PRC	RMB4,000,000	—	100%	—	Retailing of sport-related footwear, apparel and accessories, PRC
Hebe Fashions Pte. Ltd.	Singapore	Singapore Dollar 1	—	100%	—	Investment holding, Singapore
Cronus Sports Pte. Ltd.	Singapore	Singapore Dollar 1	—	100%	—	Investment holding, Singapore
Phenix Co., Ltd.	Japan	JPY495,000,000	—	91%	9%	Brand development, design and sales of sport-related apparel, Japan
北京達尼亞體育發展有限公司 Beijing Dagnas Sports Development Co. Ltd.	Beijing, PRC	RMB10,000,000	—	100%	—	Design, production and sales of sport-related footwear, apparel and accessories, PRC

39 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Company name	Place of incorporation	Particulars of issued/ registered capital	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)	Principal activities and place of operation
北京快樂運動體育用品有限公司 Beijing Happy Sporting Goods Co. Ltd.	Beijing, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
大連克瑞斯體育用品有限公司 Dalian Crius Sporting Goods Co. Ltd.	Dalian, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
深圳克瑞斯特體育用品有限公司 Shenzhen Criust Sporting Goods Co. Ltd.	Shenzhen, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
鄭州克瑞斯體育用品有限公司 Zhengzhou Crius Sporting Goods Co. Ltd.	Zhengzhou, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
武漢克瑞斯體育用品有限公司 Wuhan Crius Sporting Goods Co. Ltd.	Wuhan, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
長沙克瑞斯體育用品有限公司 Changsha Crius Sporting Goods Co. Ltd.	Changsha, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC
哈爾濱克瑞斯體育用品有限公司 Haerbin Crius Sporting Goods Co. Ltd	Harbin, PRC	RMB3,000,000	—	100%	—	Retail sales of sports-related products, apparel and accessories, imports and exports, PRC

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