361 Degrees International Limited
361度國際有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2011

HIGHLIGHTS

1. Turnover increased by 26.1% from RMB4,330.8 million for the year ended 30 June 2010 to RMB5,461.2 million for the year ended 30 June 2011.

2. Gross profit increased by 35.4% from RMB1,706.3 million for the year ended 30 June 2010 to RMB2,310.9 million for the year ended 30 June 2011, while gross profit margin increased from 39.4% to 42.3%.

3. Profit attributable to equity shareholders of the Company for the year increased by 30.5% from RMB916.8 million for the year ended 30 June 2010 to RMB1,196.1 million for the year ended 30 June 2011.

4. Basic earnings per share increased by 30.1% from RMB44.5 cents per share for the year ended 30 June 2010 to RMB57.9 cents per share for the year ended 30 June 2011.

5. The Board proposed to declare a final dividend of RMB16.1 cents (equivalent to HK19.4 cents) per share, together with interim dividend of RMB7.1 cents (equivalent to HK8.3 cents) per share, representing a total dividend of RMB23.2 cents (equivalent to HK27.7 cents) per share for the year and a total payout of RMB479.7 million, subject to approval by shareholders of the Company at the forthcoming annual general meeting.

FINAL RESULTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The board (the "Board") of directors (the "Directors") of 361 Degrees International Limited ("the Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together referred to as "the Group") for the year ended 30 June 2011, with the comparative figures for the preceding financial year ended 30 June 2010, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
Turnover	*4*	**5,461,240**	4,330,804
Cost of sales		**(3,150,298)**	(2,624,479)
Gross profit		**2,310,942**	1,706,325
Other revenue	*5*	**68,810**	32,478
Other net gain	*5*	**3,392**	1,558
Selling and distribution expenses		**(665,220)**	(533,461)
Administrative expenses		**(276,688)**	(155,048)
Profit from operations		**1,441,236**	1,051,852
Finance costs	*6(a)*	**(493)**	(3,326)
Profit before taxation	*6*	**1,440,743**	1,048,526
Income tax	*7*	**(251,448)**	(133,677)
Profit for the year		**1,189,295**	914,849
Attributable to:			
Equity shareholders of the Company		**1,196,133**	916,814
Non-controlling interests		**(6,838)**	(1,965)
Profit for the year		**1,189,295**	914,849
Earnings per share	*9*		
Basic (cents)		**57.9**	44.5
Diluted (cents)		**57.6**	44.3

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**1,189,295**	914,849
Other comprehensive income for the year:		
Exchange differences on translation of financial statements	**(31,937)**	(16,855)
Total comprehensive income for the year	**1,157,358**	897,994
Attributable to:		
Equity shareholders of the Company	**1,164,196**	899,959
Non-controlling interests	**(6,838)**	(1,965)
Total comprehensive income for the year	**1,157,358**	897,994

CONSOLIDATED BALANCE SHEET

at 30 June 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
Non-current assets			
Fixed assets			
— Property, plant and equipment		**846,503**	566,239
— Interests in leasehold land held for own use under operating leases		**82,991**	84,768
		929,494	651,007
Deposits and prepayments	*10*	**166,423**	54,910
Deferred tax assets		**13,480**	18,657
		1,109,397	724,574
Current assets			
Inventories		**197,255**	132,836
Trade debtors and bills receivable	*10*	**1,581,658**	895,698
Deposits, prepayments and other receivables	*10*	**305,316**	219,038
Pledged bank deposits		**50,840**	101,200
Deposits with banks		**135,370**	936,085
Cash and cash equivalents		**2,229,367**	1,554,586
		4,499,806	3,839,443
Current liabilities			
Trade and other payables	*11*	**1,174,090**	1,019,830
Bank loans		**13,216**	—
Current taxation		**137,785**	109,545
		1,325,091	1,129,375
Net current assets		**3,174,715**	2,710,068
Total assets less current liabilities		**4,284,112**	3,434,642
Non-current liabilities			
Deferred tax liabilities		**5,342**	3,125
NET ASSETS		**4,278,770**	3,431,517
CAPITAL AND RESERVES			
Share capital		**182,298**	182,109
Reserves		**4,053,627**	3,214,314
Total equity attributable to equity shareholders of the Company		**4,235,925**	3,396,423
Non-controlling interests		**42,845**	35,094
TOTAL EQUITY		**4,278,770**	3,431,517

1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the changes in accounting policies set out in note 2. The financial statements have been reviewed by the Company's audit committee. The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 30 June 2011, but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

— Improvements to HKFRSs (2009)
— Improvements to HKFRSs (2010)
— HK (Int) 5, *Presentation of Financial Statement — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*
— HK(IFRIC)19, *Extinguishing financial liabilities with equity instruments*

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

The HK (Int) 5 has had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

3 SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Management has determined operating segments with reference to the reports reviewed by the chief operating decision maker of the Group that are used to assess the performance and allocate resources.

The chief operating decision maker of the Group assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance of manufacturing and distribution of sporting goods including footwear, apparel and accessories. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, Operating Segments. In this regard, no segment information is presented.

No geographic information is shown as the turnover and profit from operations of the Group are derived from activities in the People's Republic of China ("PRC").

4 TURNOVER

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

	2011	2010
	RMB'000	*RMB'000*
Footwear	**2,880,176**	1,944,663
Apparel	**2,459,054**	2,331,828
Accessories and others	**122,010**	54,313
	5,461,240	4,330,804

The Group's customer base is diversified and includes only three customers (2010: two) with whom transactions have exceeded 10% of the Group's revenues. During the year ended 30 June 2011, revenues from sales of footwear, apparel and accessories and others to these customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately RMB2,242 million (2010: RMB1,472 million).

5 OTHER REVENUE AND NET GAIN

	2011	2010
	RMB'000	*RMB'000*
Other revenue		
Bank interest income	**21,595**	14,360
Government grants	**46,256**	17,223
Others	**959**	895
	68,810	32,478
Other net gain		
Net loss on disposal of fixed assets	**(21)**	(239)
Net foreign exchange gain	**3,413**	1,797
	3,392	1,558

Government grants of RMB46,256,000 (2010: RMB17,223,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2011 *RMB'000*	2010 *RMB'000*
(a)	Finance costs		
	Interest on bank borrowings wholly repayable within five years	**493**	3,326
(b)	Staff costs		
	Contributions to defined contribution retirement plans	**11,518**	4,454
	Equity-settled share-based payment expenses	**4,174**	8,453
	Salaries, wages and other benefits	**353,932**	143,288
		369,624	156,195
(c)	Other items		
	Auditors' remuneration	**2,564**	3,020
	Amortisation of land lease premium	**1,777**	1,777
	Depreciation	**52,048**	22,796
	Operating lease charges in respect of properties	**7,821**	5,358
	Research and development costs *	**84,431**	37,824
	Cost of inventories **	**3,150,298**	2,624,479

* Research and development costs include RMB24,534,000 (2010: RMB10,896,000) relating to staff costs of employees in the research and development department, which amount is also included in the total staff costs as disclosed in note 6(b).

** Cost of inventories include RMB266,987,000 (2010: RMB111,088,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the year	**241,059**	162,781
Under/(over) provision in respect of prior years	**2,995**	(4,068)
	244,054	158,713
Deferred tax		
Origination and reversal of temporary differences	**7,394**	(25,036)
	251,448	133,677

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

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

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

8 DIVIDENDS

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

	2011	2010
	RMB'000	*RMB'000*
Interim dividend declared and paid of RMB7.1 cents per ordinary share during the year (2010: RMB4.3 cents per ordinary share)	**146,835**	88,813
Final dividend proposed after the balance sheet date of RMB16.1 cents per ordinary share (2010: RMB9.0 cents per ordinary share)	**332,884**	185,887
	479,719	274,700

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

8 DIVIDENDS *(continued)*

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB9 cents per ordinary share (2010: RMB6.5 cents per ordinary share)	**185,887**	134,252

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,196,133,000 (2010: RMB916,814,000) and the weighted average number of shares in issue during the year of 2,068 million (2010: 2,061 million), calculated as follows:

Weighted average number of ordinary shares

	2011	2010
	'000	*'000*
Issued ordinary shares at the beginning of the year	**2,065,412**	2,000,000
Effect of shares issued upon placing and public offering	**—**	61,469
Effect of shares repurchased	**(309)**	—
Effect of share options exercised	**2,410**	—
Weighted average number of ordinary shares at the end of the year	**2,067,513**	2,061,469

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,196,133,000 (2010: RMB916,814,000) and the weighted average number of ordinary shares of 2,076 million (2010: 2,068 million) adjusted for the potential dilutive effect caused by the share options granted under Pre-IPO share option scheme, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011	2010
	'000	*'000*
Weighted average number of ordinary shares at 30 June	**2,067,513**	2,061,469
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**8,862**	6,840
Weighted average number of ordinary shares (diluted) at 30 June	**2,076,375**	2,068,309

10 TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade debtors and bills receivable		
Trade debtors	**1,598,078**	935,218
Bills receivable	**23,100**	—
Less: allowance for doubtful debts *(note 10(b))*	**(39,520)**	(39,520)
	1,581,658	895,698
Deposits, prepayments and other receivables		
Deposits	**1,428**	10,498
Prepayments	**442,857**	248,867
Other receivables	**27,454**	14,583
	471,739	273,948
Less: Non-current portion of deposits and prepayments	**(166,423)**	(54,910)
	305,316	219,038

Included in prepayments are amounts prepaid to suppliers of RMB210,194,000 (2010: RMB147,805,000) and payments for acquisition of interest in leasehold land held for own use under operating leases amounting to RMB102,177,000 (2010: RMB37,812,000) respectively.

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

(a) Ageing analysis

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

	2011	2010
	RMB'000	*RMB'000*
Within 90 days	**1,519,287**	801,290
Over 91 days but within 180 days	**62,371**	94,408
	1,581,658	895,698

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

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly. There are no movements in the allowance for doubtful debts during the years ended 30 June 2011 and 2010.

At 30 June 2011, the Group's trade debtors of RMB39,520,000 (2010: RMB39,520,000) were individually determined to be impaired. The individually impaired receivables related to a number of customers and management assessed that the receivables were not recoverable. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

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

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**1,368,230**	574,339
Less than 1 month past due	**154,654**	82,988
1 to 3 months past due	**58,774**	238,371
Amount past due	**213,428**	321,359
	1,581,658	895,698

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

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

11 TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade creditors	**598,490**	226,381
Bills payable	**214,082**	382,000
Receipts in advance	**3,049**	28,597
Other payables and accruals	**358,469**	382,852
	1,174,090	1,019,830

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

Bills payable as at 30 June 2011 and 2010 were secured by pledged bank deposits.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	2011	2010
	RMB'000	*RMB'000*
Due within 1 month or on demand	**202,366**	101,774
Due after 1 month but within 3 months	**177,718**	200,942
Due after 3 months but within 6 months	**432,488**	305,665
	812,572	608,381

BUSINESS REVIEW

Sale and distribution network

The Group considers its distributorship business model to be very robust in two particular aspects. Firstly, distributors not only distribute the *361°* products on an exclusive basis but just as importantly have sole geographical rights. Although virtually a monopoly at a provincial level, this exclusive distributorship business model brings obvious operating benefits as it allows better economies of scale, especially as regards inventory control and sales promotion. Secondly, the Group practices a uniform pricing system between itself, the distributors and the retailers. The price at which the Group sells to the distributors, often called the wholesale discount, has been fixed at 62% early on. Reflecting the improving brand equity and strength, this was reduced to 60% in the 2011 Autumn Trade Fair in December 2010 and further reduced to 58% in the 2012 Spring/Summer Trade Fair which concluded in late July 2011.

These measures will help to protect margins of the Company at a time when the industry enters into a period of consolidation and more mature growth.

During this financial year, the number of exclusive distributors remains unchanged at 32. It is a standard requirement that their operations are conducted through the structure of a limited company entity, as this facilitates restructuring should the need for fresh capital arises. Further, the distributors' agreements are renewable every year, after a review and assessment.

The distributors themselves oversee 3,438 authorized dealers who in turn owned and managed a total of 7,681 retail outlets. The number of outlets as at 30 June 2011 represented a net increase of 754 from 6,927 as at 30 June 2010, with the overall mix in strong favour of Tier 3 and smaller cities, relatively unchanged at 72%.

	As at 30 June		
	2011	2010	Change (%)
Number of retail outlets	**7,681**	6,927	10.9
Total retail floor area (square metre)	**777,072**	691,284	12.4
Average floor area per retail outlet (square metre)	**101.2**	99.8	1.4

As at 30 June 2011, there were 5,586 standalone stores which contributed over 70% of the retail outlets, 77 flagship stores and 4 "*361°* Towns", the average size of these stores were about 90 square metres, 580 square metres and 1,100 square metres, respectively.

With the support from the distributors, the Group started to establish a new generation of flagship stores "*361°* Towns" aimed at communicating more effectively the determination of *361°* to become a leader in the sportswear market in China. During the second half of this financial year, the Group concentrated its efforts in optimizing the operation of the existing four "*361°* Towns" which are situated in Zhengzhou, Jinan, Wuhan and Harbin.

	As at 30 June				
	2011		2010		
	Number of authorized retail outlets	**% of total number of authorized retail outlets**	Number of retail outlets	% of total number of authorized retail outlets	Change (%)
361°					
Eastern region(1)	**2,001**	**26.1**	1,876	27.1	6.7
Southern region(2)	**1,238**	**16.1**	1,107	16.0	11.8
Western region(3)	**1,442**	**18.8**	1,240	17.9	16.3
Northern region(4)	**3,000**	**39.0**	2,704	39.0	10.9
Total	**7,681**	**100.0**	6,927	100.0	10.9

Notes:

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

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

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

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

ePOS expanded its connectivity coverage to 4,146 outlets

The Group has made solid progress on the electronic points-of-sale ("ePOS") linkage to its retail outlets. Currently operating as a separate module, it will eventually dovetail into an enterprise resource planning ("ERP") system for supply chain management. As at 30 June 2011, the e-POS linkage is extended to 4,146 outlets. There are pockets of resistance in some of the more remote areas with less educated retailers who are reluctant to share sales information and efforts will be intensified in these areas. There are also infrastructural challenges regarding the right level of support from service providers in some of the more distant areas which have to be overcame. The e-POS installation has become a standard contractual requirement in all new retail dealerships.

The Group hopes to consolidate at this current level whilst the above issues are addressed and has been testing a Business Intelligence module which will provide very valuable sales data for further analysis into customer buying trends, patterns and preferences.

This ePOS has played an instrumental role in the collection of sales and inventory statistics on a real time basis, allowing the Group to monitor store efficiency dynamics more closely including changes in customer preferences and consumption patterns.

Implementing recommendations by retail management consultant to further enhance store efficiency

The Group has been implementing recommendations by its retail consulting specialist S1MONE throughout the financial year. S1MONE works closely with our retailers to provide valuable advices on ways to enhance customers' retail experience, including customer service attitudes of store attendants, mix and match recommendations to the customers to encourage cross-selling of products, enhancing the visibility of key products, guidance on order merchandising, odd-dollar tagged pricing, optimizing store and shelf space and product displays and hosting of in-store events to provide an enriching shopping atmosphere.

These measures have played an instrumental role in helping the Group to drive overall revenue and profit growth through strong same-store sales growth. Same-store sales growth at retail level during the first to the fourth quarter in the financial year were 16.0%, 15.0%, 14.7% and 18.1% respectively. Inventory-to-sales ratio for the year was maintained at a low level. They were 2.6 times, 3.9 times, 3.3 times and 3.9 times respectively during the first to the fourth quarter in the financial year. This marks a very notable achievement considering deteriorating overstocking of some industry peers.

361° Kids

361° Kids has kicked off to a good start in the year under review. Positioned as mid-low end of the market, this new product group leverages on the overall *361°* brand and on the current proven distributorship model. However, *361°* Kids has its own design, procurement and out-sourcing functions. It organizes its own Trade Fairs twice this financial year, for its Spring/Summer and Autumn/Winter collections.

2011 Autumn/Winter Kidswear Trade Fair was held successfully in March 2011, with over 400 retailers and distributors attended the Trade Fair. The orders received exceeded that of last year by a notable 60%. During the 2-day event, approximately 1,200 stock keeping units ("SKU") were on display, featuring new offerings in the apparel, footwear and accessory categories.

The key to further success in this product group will be the right economies of scale and in this regard, the number of retail outlets is crucial to provide the basic reordering demand at the trade fairs.

During the year, the Group oversaw the set up of 766 dedicated outlets, all operated by independent retailers and of which 365 were standalone stores, 245 in shopping malls and 156 as counters in the larger *361°* franchised stores as at the end of June 2011, representing a net increase of 530 stores from 236 as at 30 June 2010.

Brand promotion and marketing

The *361°* brand has been launched with considerable success because of its universal appeal to both sexes, with product offerings highly attractively designed and yet priced reasonably. The brand is positioned for the mass market, targeting customers between the ages of 18 and 30, who have a passion for sports, not necessarily in active participation. The Group's tag line, "多一度熱愛" which is translated literally as "One Extra Degree of Passion" embodies one of the core values of the brand which is "excellence".

The Group believes that just as professionals excel in their sports, the brand must excel in its execution which is often only possible with that extra one degree of effort. Riding on such a theme, the Group firmly believes its advertising campaign must be firmly anchored in event sponsorship, in that it provides for the promotion of the sports itself as well as bringing the actual telecast of the event into the life of an average person, involving a "direct engagement."

This is particularly important for a young brand like *361°* where brand recognition is of utmost priority and event sponsorship actively promotes the visibility of the brand. The *361°* brand is especially well associated with multi-sport events, as *361°* was a sponsor at the highest level during the intervening years between the Beijing and London Olympics, the only two events in China at an international level.

In November 2010, the Group was the Prestige Partner at the 16th Asian Games in Guangzhou where over 45 countries involving 9,704 athletes and officials participated in over 42 different sports. Throughout the 16 day event, the *361°* logo was prominently displayed at various strategic points in the stadium, court or hall and the event was carried "live" to over 30 countries with an estimated total audience of running into hundreds of million. All officials and volunteers to these Games wore the *361°* uniform for official duties and several major roads in Guangzhou city had prominent roadside advertising banners. In addition, all voluntary workers helping with road directions and general advice also wore the official *361°* uniform. The Group believed that the carnival atmosphere of the event during the two-week period created a very favourable impression of the brand which will endure well into the future.

The Group is the Global Partner of the 26th Summer Universiade being held in Shenzhen in August 2011. At this time of writing, excitement is building up in the city leading up to these Games. Over 152 countries involving about 12,000 athletes and officials are participating in the two-week events.

The lighting of the Universiade torch was performed in a simple ceremony in April 2011 to coincide with the 100th Anniversary of Tsinghua University, one of the top institutions of higher learning in the country. Customers' ready acceptance of *361°* products, their strong association of the products with high performance, innovation and cutting-edge style were the core drivers of the Group's success in the last few years. This brand strength hinges on the Group's resources and devotion put into promoting the *361°* brand on an ongoing basis.

While much of the continuing strong growth in sales during the first half of this financial year had been attributable to the deep involvement of *361°* in the 2010 Guangzhou Asian Games, the benefits were carried on to the second half of the year and beyond. The brand equity of *361°* had been significantly enhanced as a result.

A strong backing of research and development comes as the backbone of this functionality-driven marketing strategy. The Group's newly established research and development ("R&D") laboratory in Guangzhou, opened in September 2010, started producing new product prototypes for different sports categories. These products contribute to enhancing the performances of professional athletes through delivering top-notch functionality, comfort, user-friendliness and quality. The Group has started to supply prototype products to professional athletes in China's national teams in different sports categories, and collecting feedback which can help to improve product quality and design.

In March 2011, the Group also opened a new high-performance sports apparel design center in Beijing Institute of Fashion Design (北京服裝設計學院) to further enhance its capability in the area of professional sports apparel design.

Sponsorships of professional sports teams and star athletes

Sponsorships of professional sports teams and star athletes constitute an important component of *361°* brand's promotion and marketing strategy. The Group believes that the professional teams and athletes who participate in national and international sports events and tournaments, in *361°* brand gears, help to showcase the values and attitude orientation of the *361°* brand and entice a larger following.

Professional teams that *361°* is proud to sponsor include:

— National Delegation to London 2012 Paralympic Games
— National Softball Team
— National Cycling Team
— National Triathlon Team
— National Modern Pentathlon Team
— Zhejiang Provincial Swimming Team
— North Korea London 2012 Olympics Delegation
— Swedish National Curling Team

As a further step towards its brand building, the Group has begun to identify athletes and sports professionals who can epitomize the core values of the brand. To date, it has closed contracts with several Jamaican athletes and a couple of Taiwanese female tennis professionals. It is also very confident of finalizing a contract with Sun Yang, one of the brightest Chinese swimmers who recently broke the world record in his favourite event, the 1500m free-style. As at 30 June 2011, the Group had signed up 9 budding and star athletes who will be in *361°* brand gears when they attend national and international tournaments.

Sponsorships of professional sports events

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

Time	**Event**	**Capacity**
2010-2015	*361°* Men/Women's National Volleyball Tournament series	Sole Title Sponsor
2007-2013	*361°* China University Basketball Super League	Designated Partner
2010	Guangzhou 2010 Asian Games	Sportswear Prestige Partner
2011	Summer Universiade 2011 Shenzhen	Global Partner
2011	Women's Curling Championship 2011	Designated footwear, apparel and accessories sponsor
2012	Haiyang 2012 Asian Beach Games	Prestige Partner
2012	World Men's Curling Championship 2012	Designated apparel sponsor
2009-2013	China Table Tennis Super League	Title Sponsor
2009-2013	CCTV Channel 5	Sportswear sponsor for hosts and journalists
2009-2013	China Zhengkai Marathon	Designated sports footwear and apparel sponsor
2009-2013	Jinmen Marathon	Designated sports footwear and apparel sponsor
2013	Women's Curling Championship 2013	Designated apparel sponsor

The Group has already started its marketing efforts for the 26th Summer Universiade 2011 held in Shenzhen. The "Universiade", also known as the "Small Olympics", is only next to the Olympic Games in international sports games in terms of scale. The Group has reached agreements to provide professional sports equipment and apparel products to teams and workers from 16 different countries.

361° has rolled out in selected outlets in Shenzhen neighboring cities and major provincial capitals product series developed specifically for Universiade from May 2011, featuring a different theme in every month with special in-store promotions to drive sales.

The Group proceeded with its sole title sponsorships for six national volleyball tournaments in the PRC won in August 2010, including Men/Women's National Volleyball Leagues, Men/Women's National Volleyball Grand Prize Cup and Men/Women's National Volleyball Championship Cup ("Volleyball Tournaments") between 2010 and 2015. The Group will provide players, coaches, organizing officials and working staff of these tournaments with sports footwear, apparels and accessories.

This series of Volleyball Tournaments is the highest ranked events of its kind at the national level and is jointly organized by China Volleyball Association and CCTV 5. The Volleyball Tournaments will be titled "*361°* Men/Women's National Volleyball Leagues", "*361°* Men/Women's National Volleyball Grand Prize Cup" and "*361°* Men/Women's National Volleyball Championship Cup" and broadcasted at prime viewing hours at CCTV 5.

Product design and development

The Group firmly believes that product design and development forms a key cornerstone in the success of a sports brand and is increasing expenditure in this area. During the course of the year under review, the Group secured the services of a group of talented designers who had developed years of expertise working for top notch OEM manufacturers for some of the leading sports brands in the world. This partnership is based in Guangzhou, where the *361°* Asian Design Centre is housed in self-contained facilities that featured the latest equipment in design and development facilities. It includes a testing track where professional athletes undergo intensive testing as part of the development of their sports gear.

The Group also entered into a partnership with the Beijing Institute of Fashion Technology in Beijing to stay abreast of all the latest trends in fashion, fabrics and styles.

All these efforts will help to ensure products paraded at each Trade Fair has a high degree of commercial success and the investment in design and development is easily recouped by higher brand value as reflected in higher average wholesale selling price ("ASP"). In the three Trade Fairs held during the year under review, ASP from the Fairs have recorded an increase. Consistent appropriation of abundant resources to strengthen product design and development capabilities helps the Group staying on the cutting edge of the latest technological advancements and styles. These efforts allow *361°* products to consistently meet the stringent requirements of professional athletes while accommodating changing consumer preferences for trends and styles.

In response to the increasingly stringent requirements by the average amateur customers on professional functionalities of sporting goods they spend on, and thanks to the heightened consciousness of a healthier lifestyle, the Group has realized more than ever the catalytic enhancement effect of advancing product design and technology that will bring about to enhancing brand value and product selling prices.

The Group has independent R&D and design departments dedicated to footwear, apparel and accessory products based in two R&D centres in Jinjiang and Guangzhou and one high-performance sports apparel design centre in Beijing. As of 30 June 2011, there were 182 full-time design professionals for the footwear R&D design department and 155 for the apparel and accessory R&D and design departments.

There are also 2 footwear laboratories and one apparel laboratory to conduct tests and collect performance data. The Group currently owns 22 patents for footwear products. In collaboration with external design agencies, *361°* caters to consumer trends while echoing thematic elements from our integrated marketing campaigns to establish a unified image for our brand and products.

Production

An important characteristic of the financial year ended 30 June 2011 ("FY2011") is that it marked the completion of the Group's second manufacturing facility in Jinjiang, namely the Wuli Industrial Park. Whilst the land was acquired in 2008, the civil works were started in 2009 and by the end of this financial year, the development is substantially complete. This new facility encompasses a new workshop for the manufacture of apparel, a relatively new development for the Group. It believes that by engaging in such a manufacture in a small but meaningful way, the Group would be able to keep abreast of trends and costs in the apparel industry. This new workshop when operating at its optimal capacity has a production target of about 5 million pieces per annum, which is about 16% of the sales volume of the Group during the year.

As at 30 June 2011, there were 23 footwear production lines in Wuli and Jinjiang, bringing the total inhouse capacity to approximately 21 million pairs, or about 70% of the Group's sales volume during the year.

The Wuli Industrial Park is not just another production base. The opportunity has been taken to develop comprehensive facilities which will serve the needs of the Group well into the future. These are the Trade and Exhibition Halls where the various Trade Fairs are held every year. There is also a central warehouse to receive finished goods and to dispatch them to the distributors just as quickly.

The Group believes that one of its competitive strengths is in-house production of footwear and recognizing the challenges of retaining production labour at a time of dwindling availability in the market, it has developed comprehensive facilities for staff welfare. In addition to the usual dormitories, canteens and basketball courts, there are the internet hall, sports facilities such as snooker and table tennis tables, a gymnasium, a library and mini-cinemas and meeting rooms. In essence, the average production worker now has access to all the amenities of a recreational and sporting life. In the longer term, this will pay dividends in the form of a stable workforce and improved productivity.

The production direct labour workforce at the end of June 2011 stood at 6,882, an increase of about 6% from the year before as manufacturing and hence the worker recruitment in Wuli was introduced in stages from April 2010.

The Group has a 51% owned subsidiary with a leading Taiwanese specialist for the manufacture of sole with the intention that the factory supplies this key component on a cost-effective and regular basis. During the financial year, this subsidiary completed its full year of operations and made a small loss. However, in recent months, with a higher level of production, the subsidiary has begun to break even.

The factory of this subsidiary is based in Jinjiang City, Fujian Province and is run and managed by the Taiwanese partner although the Group controls the board.

Awards

During the financial year, the Group has been awarded Silver Award in Astrid Awards for Annual Reports, non-traditional category; and Gold Award in Grand Award for Best of the Best Annual Report for its Annual Report 2009/10.

In December 2010, The *361°* brand was listed 44th in a study of the top 50 brands in China, carried out by Millward Brown, which included only two other sports brands.

In November 2010, the Group had been selected by Forbes as one of the "Best Under A Billion" companies listed in the Forbes Asia September 2010 issue.

FINANCIAL REVIEW

Turnover

The Group registered a total turnover of RMB5.5 billion for FY2011, an overall growth of 26.1% compared with the turnover for the previous financial year. The bulk of the improvement came from Footwear, which posted healthy increases in both volume and average selling price. There was a marginal increase in revenues for apparel where higher selling prices offset lower volumes as increased competition in the industry meant that distributors were understandably slower in taking delivery of some products.

The deliveries for the year primarily comprised orders taken for three Trade Fairs (2010 Winter, 2011 Spring/Summer and the 2011 Autumn). At the 2011 Autumn Trade Fair held in December 2010, the wholesale discount was reduced to 60%, an adjustment made to reflect the stronger equity in the brand and the increasing maturity of the distribution model. This adjustment was made without affecting the overall pricing structure to the retailers in an effort to preserve their margins in the face of higher overheads such as rentals.

361° Kids, a separate product group, continued its relatively modest start, with revenues topping RMB238.7 million in this first full year of operations against RMB37.6m for the financial year ended 30 June 2010 ("FY2010") .

The following table sets forth a breakdown of the Group's turnover by products during the financial year:

	For the financial year ended 30 June				
	2011		2010		
	RMB'000	**% of Turnover**	*RMB'000*	% of Turnover	Change *(%)*
(a) By Products					
Turnover					
***361º* Products — Adults**					
Footwear	**2,793,741**	**51.2**	1,929,018	44.5	44.8
Apparel	**2,311,955**	**42.3**	2,310,995	53.4	0.1
Accessories and others(1)	**116,881**	**2.1**	53,154	1.2	119.9
***361º* Products — Kids**	**238,663**	**4.4**	37,637	0.9	534.8
Total	**5,461,240**	**100**	4,330,804	100	26.1

Note:

(1) "Others" included turnover from sales of raw materials.

In terms of revenue mix, the weightage shifted in favour of footwear in FY2011, which accounted for about 51.2% of the total against 44.5% in the previous year. However, this is primarily a function of revenue recognition upon deliveries and does not represent a longer term trend. The retail market for apparel remains very much larger and so is the orders received at the Trade Fairs.

There is a small but appreciable improvement in accessories as higher quality products enabled a strong rise in both ASP and volume, but still the contribution remains relatively insignificant.

	For the financial year ended 30 June			
	2011		2010	
	Total units sold	**Average wholesale selling price[1]**	Total units sold	Average wholesale selling price[1]
	'000	***RMB***	*'000*	*RMB*
(b) By Volume and ASP				
***361º* Products — Adults**				
Footwear (pairs)	**30,779**	**90.8**	24,080	80.1
Apparel (pieces)	**30,157**	**76.7**	34,452	67.1
Accessories (pieces/pairs)	**8,057**	**14.5**	4,582	11.0
***361º* Products — Kids**	**4,914**	**48.6**	919	41.0

Note:

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

As is evident from the accompanying chart, the Group remains a leading player in Northern China where it has about 39.0% of its stores. It believes it is gaining market share at the expense of the competition as revenues have improved by 35.5% this year on a relatively large base. The Group is also expanding very quickly in the Western Region where it has increased its presence by 16.3% in terms of store units whilst revenues have leapt by almost 40% in this financial year. As economic development in China further drifts westwards, the Group will stand to gain appreciably in the longer term.

The following table sets forth a breakdown of the Group's turnover by regions during the financial year:

	For the financial year ended 30 June				
	2011		2010		
	RMB'000	**% of Turnover**	*RMB'000*	% of Turnover	Change *(%)*
(c) By Regions					
Eastern region[1]	**1,232,218**	**22.6**	1,018,589	23.5	21.0
Southern region[2]	**1,241,756**	**22.7**	1,126,740	26.0	10.2
Western region[3]	**929,461**	**17.0**	666,280	15.4	39.5
Northern region[4]	**2,057,805**	**37.7**	1,519,195	35.1	35.5
Total	**5,461,240**	**100**	4,330,804	100	26.1

Notes:

(1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.
(2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.
(3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.
(4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Monogolia.

Cost of sales

In FY2011, with the availability of the new manufacturing facilities in Wuli, there was a greater reliance on inhouse production of footwear. Up to about 70% of the total pairs sold in the year were internally produced as this gives the Group a cost advantage of about 8 percentage points.

However, as the Group has limited capability to produce garments, close to 90% of the products were still out-sourced, leaving internal production to concentrate on higher margin products and those with proprietary rights.

The following table sets forth a breakdown of cost of sales for *361°* products (excluding the cost of sales related to the sales of raw materials) during the financial year:

	For the financial year ended 30 June			
	2011		2010	
	RMB'000	**% of total costs of sales**	*RMB'000*	% of total costs of sales
***361º* Products**				
Footwear & Apparel (internal Production)				
Raw materials	**814,107**	**25.8**	356,719	13.6
Labour	**205,175**	**6.5**	78,145	3.0
Overheads	**196,901**	**6.3**	105,247	4.0
	1,216,183	**38.6**	540,111	20.6
Outsourced Products				
Footwear	**618,009**	**19.6**	652,035	24.9
Apparel	**1,238,623**	**39.3**	1,397,249	53.3
Accessories	**77,484**	**2.5**	32,742	1.2
	1,934,115	**61.4**	2,082,026	79.4
Cost of sales for *361º* Products	**3,150,298**	**100**	2,622,137	100

Gross profit and gross profit margin

Despite a very challenging year in terms of rising costs, the Group has managed to increase its gross profit margin to 42.3%, a very commendable 2.9% improvement when compared to FY2010. This has been achieved by leveraging on in-house production at a time when many OEM suppliers were struggling to find sufficient labour as well as maintaining working capital.

The Group considers its manufacturing capability of footwear as one of its competitive advantages and this is clearly manifested in FY2011 where over 21 million pieces were produced at substantially lower cost. In the case of apparel, the Group works on a cost-plus basis and managed to capitalize on its long-standing relationship with these third-party suppliers by maintaining its usual mark-ups, which meant effectively that the higher cost of raw materials had largely been passed on to the consumers.

In terms of gross profit contributions, footwear, enjoying a largely successful year, accounted for the bulk of the improvement in gross margins, but this was dampened by lower contribution from apparel because of its lower volume this year. *361°* Kids, having completed its full year of operations, accounted for the balance.

The following tables set forth a breakdown of the gross profit and gross profit margin for *361°* products (excluding gross profit margin related to sales of raw materials) during the financial year:

	For the financial year ended 30 June			
	2011		2010	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
***361º* Products — Adults**				
Footwear	**1,185,364**	**42.4**	752,790	39.0
Apparel	**991,911**	**42.9**	919,136	39.8
Accessories	**42,577**	**36.4**	18,371	36.5
***361º* Products — Kids**	**91,090**	**38.2**	15,602	41.5
Total	**2,310,942**	**42.3**	1,705,899	39.4

Selling and Distribution Expenses

As a percentage of turnover, selling and distribution expenses in FY2011 amounted to 12.2%, which is virtually unchanged from that of last year.

Administrative expenses

As would be expected because of a much larger organization, administrative expenses of the Group increased by about 78.5% to RMB276.7 million in this financial year. The primary increase is in R&D expenses which leapt by RMB37.8 million to a total of RMB84.4 million. However, this represents only 1.5% of turnover, and the Group will continue to invest at or above this level, to ensure that its products remain functionally competitive whilst staying in line with the latest designs.

The other sharp increase was in depreciation, which rose from 0.3% to 0.6% of turnover because of the additional charges as a result of the expansion into Wuli.

The Group remains vigilant of its costs and believes it has grown to the right size in terms of structure and manpower over the last two years. Future increases in costs will be carefully controlled.

Income tax expenses

The effective tax rate of the Group for FY2011 is 17.5%, an increase of 4.8 percentage point from the rate of 12.7% last year. Of its four operating subsidiaries in China, three are now taxable at the standard rate of 25% whereas the only one subsidiary can still enjoy a half-rate tax on its income until December 2012.

In the last financial year, the aforesaid subsidiary was fully exempt from income tax in the 1st half financial year and subject to tax at 50% of the standard tax rate in the remaining period of time.

Profit for the year

The Group has had another good year in FY2011. It has managed to deliver on its orders from the successful Trade Fairs held earlier and leveraged on this additional volume to produce better gross margins. Below-the-line expense items have been relatively kept in check, resulting in highly respectable operating margins of 26.4%. Despite a higher tax charge which is inevitable as the Group is subject to the tax reforms of the country, the net profit for the year showed an improvement of slightly under 30.5%.

LIQUIDITY AND FINANCIAL RESOURCES

During the current year, net cash inflow from operating activities of the Group amounted to RMB605.0 million (2010: RMB1,125.5 million). As at 30 June 2011, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months, amounted to RMB2,229.4 million, representing a net increase of RMB674.8 million as compared to the position as at 30 June 2010. The increase was attributed to the following items:

	For the year ended 30 June 2011 *RMB'000*	For the year ended 30 June 2010 *RMB'000*
Net cash inflow generated from operating activities	**605,002**	1,125,490
Net capital expenditure	**(504,553)**	(358,262)
Dividends paid	**(332,722)**	(223,065)
Proceeds from new bank loans	**40,661**	224,000
Repayment of bank loans	**(27,429)**	(491,000)
Proceeds from new shares issued, net of issuing expenses	**—**	200,878
Proceeds from shares issued under share option scheme	**7,668**	—
Withdrawal/(placement) of fixed deposits (with maturity over three months)	**800,715**	(936,085)
Other net cash inflow	**85,439**	29,084
Net increase/(decrease) in cash and cash equivalents	**674,781**	(428,960)

The Group has always been pursuing a prudent treasury management policy and is in a strong liquidity position with sufficient standby banking facilities to cope with daily operations and future development demands for capital. As at 30 June 2011, total available banking facilities of the Group amounted to RMB2,453.0 million, among which the amount of outstanding bank borrowings and bills payables were RMB13.2 million and RMB214.1 million respectively. The ratio of outstanding bank borrowings to total assets was 0.2% (2010: zero).

During the current year, the Group has not entered into any interest swap arrangements to hedge against interest rate risks.

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong Dollars. The Group also pays the declared dividends in Hong Kong Dollars.

During the year, the Group did not hedge any foreign exchange exposure against foreign currency risk.

Any substantial exchange rate fluctuation of foreign currencies against Renminbi may cause financial impacts on the Group.

PLEDGE OF ASSETS

As at 30 June 2011, the Group secured its bank facilities by pledging its land use right with a carrying amount of RMB32.1 million (2010: RMB32.7 million).

Working Capital Management

The Group recognizes the importance of ensuring that strong positive cash flows from operations will help to ensure that it can stay competitive and capture every business opportunity. In the year under review, the Chinese Government had tightened monetary policies and this has driven liquidity out of the system and created some difficulties in certain quarters, especially for smaller businesses.

The average working capital cycle for the Group for FY2011 was 20 days (FY2010: 1 day). This is a very strong measure by any standard, and certainly among the best in the industry.

The average inventory turnover cycle was 19 days, a slight deterioration from the 15 days for the previous year, but still reflects a very sound policy and a strong execution of its logistics capability.

The average trade and bills receivable turnover cycle has further improved to 83 days (FY2010: 97 days) as its distributors become financially stronger and had improved liquidity through stronger retail sales. It had also been able to secure its own financing from local banks.

The average trade and bills payables cycle has shortened to 82 days (FY2010: 111 days) as most of the third party suppliers are small or medium enterprises and recent monetary policies had meant that credit is tight. In the past, the Group had issued bills in favour of its suppliers, but the proportion of such usage had dropped dramatically in recent years. In the case of newer and bigger suppliers, the Group had to comply with stricter payment terms.

USE OF PROCEEDS

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

Net proceeds from the global offering (HKD million)

Use of net proceeds	Available to utilise	Utilised (as at 30 June 2011)	Unutilised (as at 30 June 2011)
Developing and increasing brand awareness	741.2	457.2	284.0
Developing new production facilities	613.5	613.5	—
Developing children's footwear and apparel sub-brand	171.5	90.3	81.2
Establishment of a new product testing and R&D laboratory	114.3	79.7	34.6
Establishment of an ERP system	74.3	7.5	66.8
General working capital	190.6	190.6	—
	1,905.4	1,438.8	466.6

Employees and emoluments

As at 30 June 2011, the Group employed a total of 9,200 full time employees in the PRC which included management staff, technicians, salespersons and workers. For the year ended 30 June 2011, the Group's total expenses on the remuneration of employees was RMB369.6 million, representing 6.8% of the turnover of the Group. The Group's emolument policies are formulated based on the performance of individual employees, which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or state-managed retirement pension scheme (for the PRC employees) and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance.

PROSPECTS

There are initial signs that China's recent rounds of credit tightening measures are beginning to take effect. Keeping a lid on inflation remains the biggest challenge but the general consensus is that the economic growth will still be maintained at a moderate rate. Whilst the longer-term fundamentals for the industry remain unchanged in that increasing urbanization and a change of life-styles will be key drivers, the short term concerns focus on intensifying completion and cost control.

The Group has considerable advantages in a more competitive environment. Higher brand equity, a comprehensive network of retailers and distributors, product leadership and a strong management team will ensure that it will continue to deliver superior returns to its shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, and the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules as of 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 30 June 2011, the Company repurchased 900,000 shares of the Company on the Hong Kong Stock Exchange. Of these repurchased shares, 400,000 shares were cancelled on 26 January 2011 and the balance of 500,000 shares were cancelled subsequently on 21 April 2011. Details of the repurchases of shares were as follows:

Month of repurchase	Number of shares repurchased	Price paid per share Highest	Price paid per share Lowest	Aggregate price paid
		HK$	*HK$*	*HK$*
January 2011	200,000	5.31	5.31	1,062,960
January 2011	200,000	5.10	5.10	1,019,660
March 2011	265,000	4.88	4.83	1,290,842
March 2011	235,000	4.95	4.82	1,147,693
	900,000			4,521,155

Save as disclosed above, at no time during the year ended 30 June 2011 was there any purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in the Appendix 14 of the Listing Rules during the year ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for securities transactions. Having made specific enquiry of all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code during the year ended 30 June 2011.

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

The audit committee of the Company has met and discussed with the external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 30 June 2011. The audit committee considered that the consolidated results of the Group for the year ended 30 June 2011 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

DIVIDEND

The Board recommended a final dividend of RMB16.1 cents (equivalent to HK19.4 cents) per share, subject to approval by the shareholders at the forthcoming annual general meeting. Including the interim dividend of RMB7.1 cents (equivalent to HK8.3 cents) per share for the six months ended 31 December 2010 already paid, total payout for the year amounted to RMB23.2 cents (equivalent to HK27.7 cents) per share or RMB479.7 million in aggregate, representing 40.1% of the profit attributable to equity shareholders of the Company for the financial year. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting of the Company, will be paid to shareholders by 31 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting ("the AGM") of the Company is scheduled to be held on Thursday, 6 October 2011. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 30 September 2011 to Thursday, 6 October 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 29 September 2011.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Friday, 14 October 2011. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 12 October 2011 to Friday, 14 October 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 October 2011.

PUBLICATION OF 2011 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.361sport.com), and the 2011 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

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

Hong Kong, 23 August 2011

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