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

Interim Report 2013

Contents

Corporate Information

Executive Directors	Mr. Chen Yihong (Chairman & Chief Executive Officer) Mr. Qin Dazhong (Chief Operating Officer)
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 Hylands Law Firm
Investor Relations Consultant	iPR Ogilvy Ltd.
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	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Office Unit 9, 13/F 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 China Citic Bank Shanghai Pudong Development Bank Bank of Beijing The Hongkong and Shanghai Banking Corporation Limited
Website	www.dxsport.com


KAPPA
SPORT

Information For Investors

OTHER IMPORTANT INFORMATION

1. Share information

Listing: Main Board of the Hong Kong Stock Exchange, 10 October 2007

Stock code: 03818

Number of ordinary shares issued as at 30 June 2013: 5,536,401,000

2. Important dates

Announcement of 2013 interim results: 21 August 2013

Book closure date: 7 September 2013 to 11 September 2013 (both days inclusive)

3. 2013 interim dividend and interim special dividend

Interim dividend: RMB0.5 cents per share

Interim special dividend: RMB0.67 cents per share

Payment date: on or around 18 September 2013

4. Investor Relations Department

Building 21, No. 2 Jingyuanbei Street,

Beijing Economic-Technology Development Area,

Beijing 100176, China

Telephone: (8610) 6783 6585

Facsimile: (8610) 6785 6606

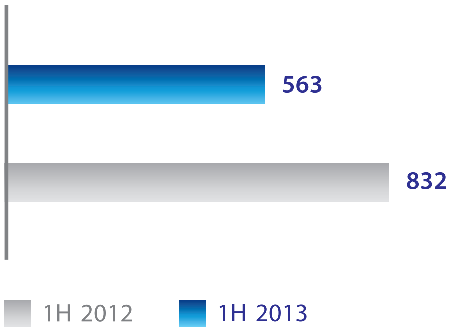
Email: ir@dxsport.com.cn

5. Website

www.dxsport.com

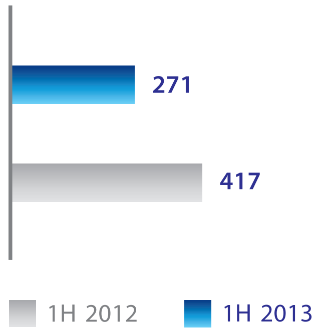
Results Highlights

SALES (RMB MILLION)



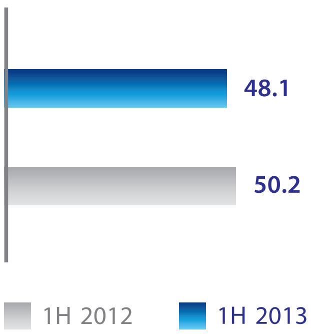
GROSS PROFIT (RMB MILLION)

(BEFORE PROVISIONS FOR IMPAIRMENT OF INVENTORIES)

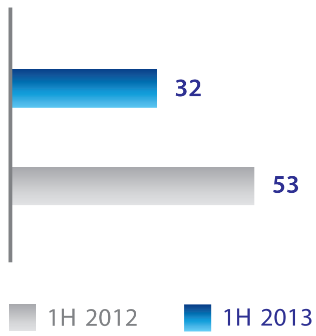


GROSS PROFIT MARGIN (%)

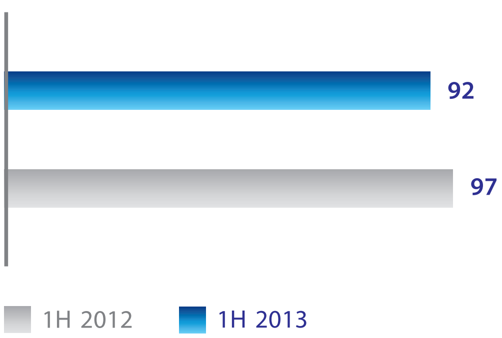
(BEFORE PROVISIONS FOR IMPAIRMENT OF INVENTORIES)



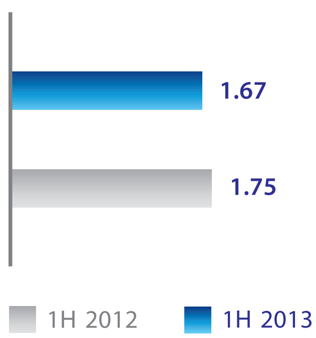
OPERATING PROFIT (RMB MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RMB MILLION)



BASIC EARNINGS PER SHARE (RMB CENTS)



Chairman's Statement

Dear Shareholders,

Time flies! We are thirteen years into the 21st century and as the quaint old proverb says, "One cannot make an omelette without breaking eggs", the past six months had been a pool of mixed feelings. However, I strongly believe that China Dongxiang will persist with innovation and reform through thick and thin.

As we enter year 2013, China's economy underwent a period of industrial adjustment. In particular, with intensifying competition and change in consumption patterns, the sportswear industry continued to face great challenges ahead. The industry players were in dismay as fashion brands gradually ate away what has originally been the market share for sportswear and consumers are increasingly dependent on online shopping. Other unprecedented difficulties including, sizable sales channels began to cool off for sportswear brands, product homogeneity and large-scale clearance of accumulated inventory also poses challenges to the industry.

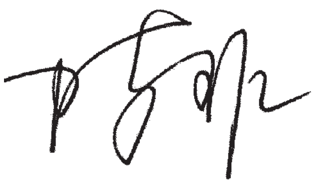
Amidst depressed market conditions, the Group's sales declined by 32.3% year-on-year to RMB563 million for the six months ended 30 June 2013. The net profit attributable to equity holders for the six months ended 30 June 2013 of the Group decreased by 5.2% year-on-year to RMB92 million. Basic earnings per share were RMB1.67 cents, a decrease of 4.6% compared to the same period of last year. As at 30 June 2013, cash and bank balances including treasure products held by the Group totaled RMB4,661 million. The Board of Directors proposed to distribute 30% of the profit attributable to equity holders for the six months ended 30 June 2013 as general dividend after taking into consideration the sound financial position of the Group. In addition, the Board recommended to distribute 40% of the profit attributable to equity holders for the six months ended 30 June 2013 as special dividend to reward shareholders for their unwavering support for the Group during tough times. The overall interim dividend payout ratio for the six months ended 30 June 2013 is 70%.

Key financial indicators for the first half of 2013 showed that China Dongxiang is still under transformation and sales revenue was affected to some extent. In view of the prevailing industry difficulties, the Group deemed necessary to remain committed to strengthening the "brand + retail" business model in order to enhance the understanding, coordination and control of retail end. Meanwhile, the Group has begun to adjust its sales channels and has also completed the establishment of self-operated local retail branch offices under this framework with the aim to gradually build a sales network of "self-operated + interlink + distribution". We truly understand it is extremely difficult to build a brand-new business model, yet we believe that we can blaze a trail by overcoming difficulties. We will be able to thrive off new challenges as we come up with new ideas to adapt to new circumstances and capitalize on new opportunities. We also believe that the "brand + retail" business model will imbue China Dongxiang with renewed vitality.

Product is not only an invaluable asset of the Group but also the key to sustainable development. Backed with solid brand fundamentals and rich heritage, our products feature unique and innovative styles, and had once took the domestic market by storm. After a year of exploration and adjustment, we had further refined our brand philosophy and product development direction. We will remain adhered to our brand positioning of "sports, sexness, fashion and style" that has always been well received by consumers and also strive for constant improvement in product innovation, development and design. This strategy has yielded preliminary results in the current market and going forward, we believe that the results are expected to be enhanced by the optimization of the sales channels.

Throughout its transformation period, the Group has adopted a pragmatic approach to its business management and operation, including streamlining of our corporate structure, and stringent cost control etc. These measures have enabled the Group to continue to maintain a healthy operating profit and sound financial position despite a declining sales performance. In order to ensure efficient use of its abundant cash, the Group made certain investments, including an indirect investment in Alibaba Group, from which it expected to receive good returns. The Group's management will continue to pay close attention to the use of funds, and is committed to increasing value for shareholders with cautious and prudent investment.

During the past eleven years, we upheld the corporate values of "pragmatism, innovation and passion". The entire staff, from top to bottom, has stood by China Dongxiang. We have never given up on our pursuit of dreams despite undulating business cycles. Our efforts are not just for the present but for the future as well. Our "Dongxiang Dream" aims at building a lasting brand through innovation. This is also an ideal that we would like to share with our shareholders. Keeping our commitment to shareholders in mind, we will strive to reward you with good returns for your trust and support.



Chen Yihong
Chairman

Hong Kong, 21 August 2013


Kappa
PLAY WITH STYLE

NO GUTS NO GLORY
ITALIA
HEAVEN
ITA
FRA
ITA
GER
mini GIRL
FREESTYLE OF SPORTS
ITALIANO
Kappa Sport
1916
SUPERCLASSICO
KAPPA
Landing in the City
Italia

Management Discussion and Analysis

MACROECONOMIC REVIEW

The global economy remained sluggish in the first half of 2013. International Monetary Fund (IMF) revised down its forecast of global economic growth to 3.1%, which is just above what it defines as a growth rate of a weak global economy. The decelerating economic growth of the emerging markets, which are led by China, makes the global economic recovery a remote prospect.

Since China has abstained from setting and meeting a gross domestic product ("GDP") growth target of 8.0%, the country's year-on-year economic growth further slipped to 7.6% in the first half of 2013 from 7.8% in 2012. On a quarterly basis, the country's year-on-year GDP growth slowed down to 7.5% in the second quarter from 7.7% in the first quarter, representing declines of two consecutive quarters. Since the central government adopted austerity measures to steadily transform the country's economic structure, both the fixed asset investment and industrial value-added output decreased in the second quarter of 2013. Moreover, the uncertain global economic outlook and appreciation of Renminbi added extra difficulty for the country's export business, thus affecting the economic growth.

Data from the National Bureau of Statistics of China indicated that the central government has pledged to adhere to its prudent approach on the country's economic transformation against the backdrop of a complicated macroeconomic environment. The market believed the central government will focus on economic reform instead of launching economic stimulus policies.

INDUSTRY REVIEW

The domestic demand for sportswear slowed down amid decelerating economic growth. Brand operators focused on clearance of accumulated inventory from the past few years. Substantial discounts which were offered to clear the excessive inventory exacerbated competition. Coupled with rising costs, this significantly affected the profitability of both brand operators and distributors. As a result, some inefficient retail stores were closed out of necessity.

Apart from competition against international sportswear brands, there also emerged a threat from casual wear brands amid increasing product homogeneity in sportswear and casual wear. This is especially the case when both domestic and international fast fashion brands are expanding aggressively, thus gradually eating away what has originally been the market for sportswear.

To blaze a trail through the prevailing difficulties in the market, brand operators need to stay at the market forefront with a grasp of customer preferences and tastes, and design fashionable and characteristic products. The goal is to regain market share with distinctive brand images and creativity. It is expected to take a while for the difficult operating environment to turn around, and both brand operators and retailers will need to carry out comprehensive business reform amid the trough of the industry cycle. Such reform will include optimizing sales channels and supply chain, broadening sources of income and tightening expenses in an effort to reestablish strong fundamentals and gear up for arising opportunities when the market recovers.

BUSINESS REVIEW

In the first half of 2013, while economic concerns and structural issues in the sportswear industry persisted, the operating environment did not see any substantial improvement. Despite this adversity, China Dongxiang had already detected ways to address these issues beforehand. The Group continued to adhere to its established objectives and strategies of business reform through continuous product R&D and innovation, retail network improvement, effective branding and operational efficiency enhancement, among other initiatives, in order to lay the cornerstone to underpin the Group's long-term business growth.

Product Design, Research and Innovation

Kappa Products

In the first half of 2013, under the leadership of the Group's CEO, Mr. CHEN Yihong, and creative director, along with support by the Group's design teams in the PRC and Japan, new product designs were more in line with market trends. The functional and aesthetic features of these new products highlighted Kappa's unique brand identity of energetic and innovative brand styles, which were met with strong demand and appreciation from consumers.

1) *Kappa Essential*

   Simple yet trendy, Kappa Essential is the versatile must-have style in the closet of every fashionista. Rolled out in early 2013, the new knitted hoodies with gorgeous spring colours and is a smart casual wear line for those who fancy college-style fashion. Kappa Essential exudes fresh vitality and natural, healthy sexiness, which portrays personal competence, confidence and youthful energy.

2) *Kappa Rain Way*

   Kappa Rain Way is a perfect blend of functionality and fashion. It is made of high-quality waterproof fabric that can withstand moderate rain and pressure. The fabric also features a high breathability, which is key to being comfortable in any outdoor environment.

3) *Hero series*

   Built on the comfort features of our existing sportswear collections, the Hero series accentuated fun and decorative patterns, exuding unusual charm and character for this trendy line.

4) *Kombat Pants*

   The design of the Kombat Pants collection has taken into account human aesthetics. The Kombat Pants are crafted with multiple cutting lines, made perfectly to fit the curvy shape of the running legs. The cutting is loose on the upper part but tight on the lower part, making the pants stylish, aesthetic and easy to match with other outfits. Coupled with high-quality double-woven fabrics, the Kombat Pants are firm outside but comfortable inside.

5) *Kappa Fluorescent Running Shoes*

   The Kappa Fluorescent Running Shoes combine both healthcare and style, boasting a dynamic design and eye-catching colours. Whether you are wearing a pair of Fluorescent Running Shoes on the street or in a sports ground, they not only can pamper your feet but also attract envious eyes.

1. Kappa Essential
2. Kombat Pants

1.

2.

Phenix Products

The Group continued to pay a high degree of attention to the products. Extra care was exerted to design details with the application of laser processing and hot sewing technologies. In addition, we developed our proprietary cotton ginning technology to alter and strengthen the material surrounding the zipper, which is now widely applied in other products of the Group. Meanwhile, the Phenix collections carry on the natural dynamic style seen in previous editions. The perfect combination of feminine sense of style and functionality was strengthened in these products, offering the outfit for the most beautiful "Mountain Girl" in summer.

1) *The Phenix Assam Polo and Phenix Ramro JK UV Series*

   The quick-drying fabric used in the Phenix Assam Polo series has a UV shielding rate exceeding 90%, yielding an excellent protection against the sun's direct rays while keeping one's body dry and comfortable. The fabric used in the Phenix Ramro JK series is flimsy and has excessively high air permeability, so that you will not feel tight or restrained when wearing it. Coupled with bright candy colours, the Phenix Ramro JK series are the best summer outfit for ladies.

2) *The Alert Micro Short Pants and Phenix CapKeeper Waterproof Series*

   The Alert Micro Short Pants collection not only has waterproof function, but also has undergone a special treatment to help quickly discharge internal moisture. The Phenix CapKeeper tote bag collection is completely waterproof and offers a variety of ways to carry, which can be flexibly adjusted according to the environment.

Brand Building & Marketing

During the period under review, the Group continued to adopt "smart marketing" for greater cost effectiveness by infusing Kappa into consumers' daily lives through social networks and new media, advertorials and product placement marketing, which successfully enhanced Kappa's brand awareness.

PRC

Social network and new media promotion

In the first half of the year, Kappa increased its level of activity on Weibo, one of China's micro-blogging platforms, in order to enhance the exposure of products by showcasing a wide variety of apparel from the Kappa brand. Our publicity campaigns successfully drew a wide attention from China's internet users. Meanwhile, leveraging on the favourable messages spread across by opinion leaders in the fashion industry, combined with the powerful effects of our official Weibo and the support from our fan club, the marketing effectiveness of our online publicity campaigns was greatly enhanced. Apart from that, celebrities were sponsored to wear Kappa clothing at high-profile events, which effectively promoted the brand image. Kappa also leveraged the online video channels of Harper's Bazaar to spark positive word-of-mouth marketing.

Advertorials and product placement marketing

We identified a number of lifestyle and sports magazines with high relevance to sports fashion or energetic youth as our print media channels to promote the Kappa brand. Through large-format photography, coupled with appropriate themes, individual product recommendation and advertorials, we accurately attracted the attention of the target consumer groups. In the first half of the year, the magazines in which Kappa placed advertorials mainly included: *Fashion Cosmo, SoCool, Trends Health for Women, China Fashion Weekly, Harper's Bazaar, Woman's Day, LifeStyle Star, Good Housekeeping, Bazaar Men's Style, Golf Travel,* etc.

Meanwhile, Phenix selected *Photographers' Companion* as its best print media channel to promote the brand. Through the lens of female photographers, we pushed the perception that Phenix is both functional and fashionable, which represents the most beautiful and safest clothing for outdoor activities.


phenix

Event marketing

For the Kappa brand, we continued to sponsor the play drama “Mahua Funage” (開心麻花)with placement of our brand and products into its stage plays. We also played a series of interactive games with the audience to enhance the brand awareness. With the orderly integration of above-the-line and below-the-line marketing activities, we managed to maximise the advertising effect on target customers and optimise the positioning of the Kappa brand.

For the RDK brand, we sponsored the movie “So Young” (致青春) by sponsoring outfits for the crew and artists as a way to showcase our products to the movie audience and potential customers, as well as to promote the brand positioning for young people. Through above-the-line and below-the-line publicities, we further penetrated our product image into the minds of target customer groups and generated positive feedback.

For the Phenix brand, we invited three female photographers to jointly organize a photography activity with the theme of “Mountain Girl in the Summer”. Through the lens of female photographers, the charm and beauty of fashionable “Mountain Girls” around us were skillfully captured. Meanwhile, through our official Weibo, we interacted with customers and demonstrated to them the unique style of Phenix to draw more attention to the Phenix brand.

1. Kappa - The Play “Mahua Funage”

2. RDK - The Movie “So Young”

3. Phenix - Mountain Girl in the Summer

Japan

Advertorials and product placement marketing

The products intended for the Japan market were mainly associated with outdoor sports, aiming to project a fashionable and energetic image. The focus of the publicity campaign was on the selection of magazines with such characteristics. Through product showcase in these magazines, we delivered our brand philosophy to the target customers and caught their attention. The magazines in which we placed advertorials included: *BEPAL*, *GOOUT*, *mono magazine, randonnee*, *BASSWORLD*, *falo*, *soto*, *TRAMPIN*, *PEAKS*, *Ski Journal*, *Ski Graphic*, *Blue Guide Ski*, etc.

Event marketing

Similar to the past year, we continued to sponsor the Norway National Alpine Ski Team and two famous Japanese soccer teams, namely Consadole Sapporo and Ichihara JEF United. Through the interactivity with soccer fans at the live games, we brought our products closer to our target customers. In fact, we found the exciting soccer matches a splendid and mesmerising way to boost our brand image.

We also sponsored the 50th Japan Ski Technical Championship. Against the backdrop of the pristine white snow, the colours of our clothing were exceptionally eye-catching. With the outfit perfectly matching the tightly streamlined body line, our aesthetically-pleasing products demonstrated a high level of functionality and fashion sense.

Retail Network

During the period under review, the Group continued to optimise its retail network distribution and store efficiency by constantly assessing the performance of its retail outlets for duly adjustments. As at 30 June 2013, the Group had 27 authorised dealers in its China segment that directly or indirectly operated 1,398 retail outlets selling Kappa products. The distribution network of our retail outlets covers all of China's core municipal cities and other major cities and towns.

The Group established its first regional retail branch office in Hunan Province in the second half of 2012 and achieved satisfactory results. Since then, five more retail branch offices were set up in Dalian, Henan, Hubei, Shenzhen and Shanghai, respectively, thus further strengthening the distribution through a better management of local dealers as well as the opening of self-operated retail outlets across the country.

In addition to traditional retail stores, the Group placed great emphasis on Internet sales as well. An online platform offers an efficient channel to clear accumulated inventories. The Group's collaboration with e-commerce giant, Taobao.com, also provided consumers a convenient way to purchase Kappa products. The Group will brush up its efforts in building and promoting an integrated online sales platform by tapping into multiple popular Internet channels.

4.

5.

4 & 5. Phenix sponsored "The 50th Japan Ski Technical Championship".

FINANCIAL REVIEW

Our sales for the six months ended 30 June 2013 was RMB563 million, decreased by 32.3% as compared to RMB832 million for the six months ended 30 June 2012. Profit attributable to equity holders of the Company for the six months ended 30 June 2013 was RMB92 million, decreased by 5.2% as compared to RMB97 million for the six months ended 30 June 2012.

Key Financial Performance by Segments

		Group (Note 3)			**China Segment (Note 1)**			**Japan Segment (Note 2)**		
		Six months ended 30 June			**Six months ended 30 June**			**Six months ended 30 June**		
	Note	**2013 RMB million**	**2012 RMB million**	**change**	**2013 RMB million**	**2012 RMB million**	**change**	**2013 RMB million**	**2012 RMB million**	**change**
Key items of condensed consolidated income statement										
Sales		**563**	832	-32.3%	**392**	614	-36.2%	**171**	218	-21.6%
Gross profit (before provision for impairment of inventories)	4	**271**	417	-35.0%	**211**	329	-35.9%	**60**	89	-32.6%
Operating profit	3	**32**	53	-39.6%						
Profit attributable to equity holders of the Company	3	**92**	97	-5.2%						
		RMB cents	*RMB cents*							
Basic earnings per share		**1.67**	1.75	-4.6%						
Diluted earnings per share		**1.67**	1.75	-4.6%						
		%	*%*	*% pts*	**%**	*%*	*% pts*	**%**	*%*	*% pts*
Profitability ratios										
Gross profit margin (before provision for impairment of inventories)	4	**48.1%**	50.2%	-2.1	**53.8%**	53.6%	0.2	**35.1%**	40.8%	-5.7
Operating profit margin		**5.7%**	6.4%	-0.7						
Effective tax rate		**34.1%**	34.4%	-0.3						
Net profit margin		**16.3%**	11.7%	4.6						
Key operating expenses ratios (as percentage of sales)										
Sales expenses		**8.6%**	5.8%	2.8	**7.4%**	5.5%	1.9	**11.4%**	6.5%	4.9
Advertising and marketing expenses		**2.6%**	5.0%	-2.4	**2.3%**	5.8%	-3.5	**3.2%**	2.9%	0.3
Employee salary and benefit expenses		**13.6%**	12.6%	1.0	**12.0%**	11.9%	0.1	**17.3%**	14.5%	2.8
Design and product development expenses	3	**4.2%**	5.4%	-1.2						
		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	5	**142**	111	31	**153**	112	41	**116**	109	7
Average trade payable turnover days	6	**65**	91	-26	**43**	69	-26	**100**	140	-40
Average inventory turnover days	7	**283**	287	-4	**316**	304	12	**230**	249	-19

Notes:

1. The China segment principally represents the sales 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 impairment of 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 provision for impairment of inventories would be more reasonable for comparison.

5. Average trade receivables 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 payables 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.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Six months ended 30 June						
	2013			2012			
	Sales RMB million	**% of product/ brand mix**	**% of Group sales**	**Sales RMB million**	**% of product/ brand mix**	**% of Group sales**	**Change**
CHINA SEGMENT							
Kappa Brand							
Apparel	**270**	**70.7%**	**47.9%**	394	65.7%	47.4%	-31.5%
Footwear	**98**	**25.6%**	**17.4%**	185	30.8%	22.2%	-47.0%
Accessories	**14**	**3.7%**	**2.5%**	21	3.5%	2.5%	-33.3%
Kappa Brand total	**382**	**100.0%**	**67.8%**	600	100.0%	72.1%	-36.3%
International business, RDK and others	**10**		**1.8%**	14		1.7%	-28.6%
CHINA SEGMENT TOTAL	**392**		**69.6%**	614		73.8%	-36.2%
JAPAN SEGMENT							
Phenix Brand	**80**	**46.8%**	**14.2%**	101	46.3%	12.1%	-20.8%
Kappa Brand	**91**	**53.2%**	**16.2%**	117	53.7%	14.1%	-22.2%
JAPAN SEGMENT TOTAL	**171**	**100.0%**	**30.4%**	218	100.0%	26.2%	-21.6%
THE GROUP TOTAL	**563**		**100.0%**	832		100.0%	-32.3%

Sales analysis by geographical segments

THE GROUP

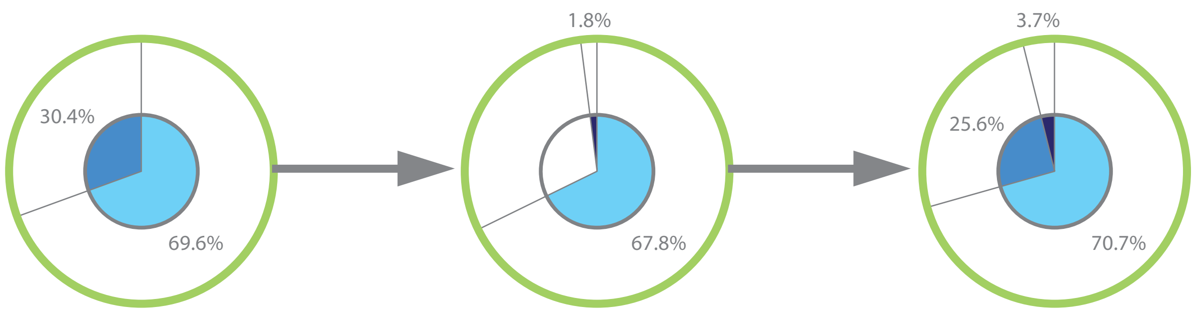
Sales analysis by business

CHINA SEGMENT

Sales analysis by products categories

KAPPA BRAND

(China Segment)



69.6% China Segment

30.4% Japan Segment

67.8% Kappa

1.8% International Business. RDK and Others

70.7% Apparel

25.6% Footwear

3.7% Accessories

China Segment

Kappa Brand

Total sales from the Kappa Brand business, the core business of the Group, for the six months ended 30 June 2013 was RMB382 million, decreased by RMB218 million from RMB600 million for the six months ended 30 June 2012. Such decrease was principally due to the sportswear industry has not been bottoming out in the first half of 2013, competition among brands remained fierce, and large-scale inventory clearance was going on. As such, profitability per retail outlets operated by our distributors has not yet improved. For sales channels, a net closure of retail outlets was recorded in the first half of 2013, the total number of Kappa Brand retail outlets operated, directly or indirectly, by our distributors decreased to 1,398 as at 30 June 2013 from 2,009 as at 31 December 2012, representing net decrease of 611. Meanwhile, in order to sustain and support the development of our distributors, the Group offered greater discount to its distributors.

International Business, RDK and Others

Sales from international business, RDK and other brands decreased by RMB4 million to RMB10 million for the six months ended 30 June 2013 from RMB14 million for the six months ended 30 June 2012.

Japan Segment

Sales from Japan segment for the six months ended 30 June 2013 decreased by RMB47 million to RMB171 million from RMB218 million for the six months ended 30 June 2012. Decrease in sales from Japan segment was due to the effect of increase in sales return in the first half of the year as well as decline in sales denominated in RMB upon currency conversion from Japanese Yen as affected by international exchange rate fluctuation of Japanese Yen.

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

	Six months ended 30 June				
	2013		2012		
	Sales RMB million	% of sales of Kappa brand products	Sales RMB million	% of sales of Kappa brand products	Change
Wholesale business	**332**	**86.9%**	573	95.5%	-42.1%
Retail business	**50**	**13.1%**	27	4.5%	85.2%
Total of Kappa brand	**382**	**100.0%**	600	100.0%	-36.3%

Sales of Kappa brand products via wholesale channel in China segment decreased by RMB241 million to RMB332 million for the six months ended 30 June 2013 from RMB573 million for the six months ended 30 June 2012, representing 86.9% of the total sales in China segment in 2013 as compared with 95.5% in 2012. Retail business of Kappa brand in China segment has developed well since its commencement in the second half of 2012. For the six months ended 30 June 2013, the number of our self-owned retail outlets operated by our subsidiaries or branches was 97, sales via retail channel increased by RMB23 million to RMB50 million from RMB27 million for the six months ended 30 June 2012, representing 13.1% of the total sales of Kappa Brand in China segment in 2013 (1H2012: 4.5%).

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

	Six months ended 30 June					
	2013		2012		Change	
	ASP RMB	Total units sold in '000	ASP RMB	Total units sold in '000	ASP	Total units sold
Apparel	**112**	**2,514**	112	3,673	0.0%	-31.6%
Footwear	**153**	**674**	166	1,184	-7.8%	-43.1%

Notes:

1. Average selling price 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 the first half of 2013 and 2012, average selling prices per unit for apparel products were RMB112 and RMB112 respectively, average selling prices per units for footwear products were RMB153 and RMB166 respectively. Decreases in average selling prices for footwear products were mainly due to the effect of further accelerating inventory clearance for off-season products.

Total units sold for apparel and footwear products in the period under review, fell to a greater degree, by 31.6% and 43.1%, respectively, as compared to the same period last year, which were primarily due to our continuous initiative, which commenced in autumn and winter in 2012, to decrease the distributors' target of sales orders for easing their inventory pressure in 2013.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group has dropped by RMB123 million, or 29.6%, to RMB292 million for the six months ended 30 June 2013 (1H2012: RMB415 million).

In the first half of 2013, our gross profit before provision for impairment of inventories has dropped by RMB146 million, or 35.0% to RMB271 million (1H2012: RMB417 million). Our overall gross profit margin before provision for impairment of inventories for the six months ended 30 June 2013 fell by 2.1 percentage points to 48.1% from 50.2% for the six months ended 30 June 2012.

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

	Six months ended 30 June		
	2013	2012	Change
	Gross profit margin*	Gross profit margin*	% pts
China segment			
Kappa Brand:			
Apparel	**55.2%**	55.8%	-0.6
Footwear	**51.0%**	49.4%	1.6
Accessories	**63.1%**	57.2%	5.9
Kappa Brand overall	**54.4%**	53.9%	0.5
International business and others	**28.0%**	37.0%	-9.0
China segment overall	**53.8%**	53.6%	0.2
Japan segment	**35.1%**	40.8%	-5.7
Group overall	**48.1%**	50.2%	-2.1

* Before provision for impairment of inventories.

Gross profit margin of Kappa Brand in China segment for the six months ended 30 June 2013 increased by 0.5 percentage point to 54.4% from 53.9% for the six months ended 30 June 2012. Such rise was mainly due to decreased discount offer of off-season products for accelerating inventory clearance by the Group as well as high profit margin of new products maintained in 2013.

Gross profit margin of Japan segment for the six months ended 30 June 2013 was 35.1%, dropped by 5.7 percentage points as compared to 40.8% for the six months ended 30 June 2012. Such decrease was mainly due to increase in production costs and increased discount offer for off-season inventory clearance.

Other Gains, Net

Other gains for the six months ended 30 June 2013 was RMB4 million (1H2012: RMB4 million), of which RMB1 million (1H2012: RMB2 million) was subsidy income from the government for China segment, and the balance was other incomes, such as the license fee received in Japan.

Provision for Impairment of Available-for-sale Financial Assets

During the period, the Group made fair value assessment on its available-for-sale financial assets in accordance with its accounting policy. As a consequence, the Group has made provision for impairment of RMB12 million for investment in CITIC Mezzanine Fund.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised advertising and marketing expenses, sales expenses, employee salaries and benefit expenses, design and product development expenses and logistic fees. Total distribution expenses and administrative expenses for the six months ended 30 June 2013 dropped by RMB108 million to RMB249 million as compared to RMB357 million in the same period of 2012, constituting 44.2% of the Group's total sales. As our further business adjustment has been conducting since the beginning of 2012, the Group has further optimised resources allocation and adjusted cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

In response to changing market environment and our shrinking business scale, the Group has implemented streamlined strategies for making necessary adjustments in internal organisational structure and human resources since 2012. Satisfactory results in organizational structuring was achieved in 2013 as our overall staff costs dropped substantially by RMB29 million to RMB76 million in the first half of 2013 from RMB105 million in the same period of 2012.

Advertising and marketing expenses decreased by RMB28 million to RMB14 million for the six months ended 30 June 2013 from RMB42 million for the same period of 2012. The advertising and marketing expenses focused on implementing strategies on maintaining and protecting existing brand image, while terminating certain sponsorship and promotion activities in which large amount of investment required with limited promotion effectiveness after considering the actual market conditions. Sales expenses for the six months ended 30 June 2012 and 2013 were maintained at same level of RMB48 million, though changes in sales expenses were shown by geographical segments. Sales expenses for China segment decreased by RMB5 million as compared to the same period last year, such decline was mainly due to decrease in product display costs attributable to decrease in number of sales channels as well as optimization and termination of certain projects, such as leaseback arrangement of our flagship store.

In the first half of 2013, remarkable drop in logistics and transportation fee by RMB7 million from RMB38 million in the first half of 2012 to RMB31 million in the same period of 2013 was due to a decrease in annual sales orders as well as prominent results achieved in stock clearance for off-season products.

Product design and development expenses was RMB24 million in the first half of 2013 (1H2012: RMB45 million). Decrease in research and development costs was primarily due to our use of external design resources in a more careful manner, resulting in relatively significant cut in external design expenses.

Operating Profit

For the six months ended 30 June 2013, operating profit of the Group was RMB32 million (1H2012: RMB53 million). The operating profit margin was 5.7% for the six months ended 30 June 2013 (1H2012: 6.4%).

Finance Income, Net

For the six months ended 30 June 2013, finance income mainly comprised interest income of RMB34 million (1H2012: RMB50 million), and income derived from investment in capital guaranteed treasury products of RMB62 million (1H2012: RMB34 million), as well as a foreign exchange gains of RMB4 million (1H2012: RMB8 million).

Taxation

For the six months ended 30 June 2013, income tax expense of the Group amounted to RMB45 million (1H2012: RMB49 million). The effective tax rates for the six months ended 30 June 2013 and 2012 were relatively flat at 34.1% and 34.4% respectively.

Profit Attributable To Equity Holders Of The Company And Net Profit Margin

Profit attributable to equity holders of the Company for the six months ended 30 June 2013 was RMB92 million (1H2012: RMB97 million), and net profit margin of the Group was 16.3% (1H2012: 11.7%).

Earnings Per Share

The basic and diluted earnings per share were RMB1.67 cents and RMB1.67 cents for the six months ended 30 June 2013, respectively, decreases by 4.6% and 4.6% against the basic and diluted earnings per share of RMB1.75 cents and RMB1.75 cents for the six months ended 30 June 2012, respectively.

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.

Dividend and Special Dividend

The board of directors (the "Board") of the Company has resolved to declare an interim dividend and interim special dividend of RMB0.50 cents and RMB0.67 cents respectively per ordinary share (totaling RMB1.17 cents per ordinary share) for the six months ended 30 June 2013, amounting to RMB28 million and RMB37 million respectively (totaling RMB65 million).

The interim dividend and interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.7956 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 20 August 2013. The dividends will be paid on or around 18 September 2013 to shareholders whose names appear on the register of members of the Company on 11 September 2013.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days for the six months ended 30 June 2013 and 2012 were 153 days and 112 days, respectively. Despite the fact that the Group has effectively tightened its credit control, contributing to a further decrease in the closing balance of receivables of China segment as compared to that as at 31 December 2012, our average trade receivable turnover days in the first half of 2013 increased as compared with that in the same period of 2012 was due to a decline in our revenue in the period under review.

Average trade payable turnover days for the six months ended 30 June 2013 and 2012 were 43 days and 69 days respectively. Remarkable decrease in average trade payable turnover days was primarily due to decrease in balance of trade receivables resulting from drop in purchase orders.

Average inventory turnover days for the six months ended 30 June 2013 and 2012 were 316 days and 304 days respectively. Drastic increase in average inventory turnover days was due to our further opening up of above-the-line and below-the-line channels for inventory clearance, clearing up partial inventory of off-season products as planned, resulting in significant decline in closing balance of inventory as at 30 June 2013 as compared with the balance as at 31 December 2012, though revenue shrinkage in the first half of 2013 has decreased costs to sell significantly.

Japan Segment

Average trade receivable turnover days, average trade payable turnover days and average inventory turnover days were 116 days, 100 days and 230 days, respectively for the six months ended 30 June 2013 as compared to 109 days, 140 days and 249 days, respectively for the six months ended 30 June 2012.

Liquidity and financial resources

As at 30 June 2013, cash and bank balances (including long term bank deposits) of the Group amounted to RMB1,974 million, a decrease of RMB739 million as compared to a balance of RMB2,713 million as at 31 December 2012. This decrease mainly due to 1) an investment in capital guaranteed treasury products issued by banks of approximately RMB426 million; 2) an investment in Rongyu Fund of RMB200 million; 3) second investment in CITIC Mezzanine Fund of RMB150 million; 4) an investment in Yunfeng Fund LP II of equivalent to approximately RMB7 million; 5) payment of 2012 final dividend and special final dividend for an aggregate amount of equivalent to approximately RMB55 million; 6) cash inflow from operating activities of approximately RMB186 million; 7) decrease in bank restricted deposits of approximately RMB85 million.

As at 30 June 2013, net assets attributable to our equity holders was RMB6,895 million (31 December 2012: RMB6,923 million). The Group's current assets exceeded current liabilities by RMB5,070 million (31 December 2012: RMB5,404 million). The Group also had a very strong liquidity position. The current ratio as of 30 June 2013 was 23.7 times (31 December 2012: 16 times).

As at 30 June 2013, the Group had no outstanding bank loans or other borrowings.

Pledge of assets

As at 30 June 2013, the Group had approximately RMB52 million (31 December 2012: RMB137 million) were held in banks as guarantee deposit for the issue of letters of credit issued by our subsidiary.

Capital commitments and contingencies

As at 30 June 2013, the Group paid a capital contribution of US$20 million for investment according to a limited partnership agreement with Yunfeng Fund LP II. As at 30 June 2013, the Group paid a capital contribution of US$1.2 million with remaining balance of US$18.8 million (equivalent to approximately RMB116 million) as capital commitments.

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

In May 2013, the Group subscribed for the interests in limited partnership with Yunfeng Fund LP II of an aggregate of US$20 million according to a limited partnership agreement. The principal business of Yunfeng Fund LP II is equity investments in Great China (including Mainland of the PRC, Hong Kong, Macau and Taiwan areas).

In May 2013, the Group subscribed for the interests in limited partnership with Rongyu Fund of an aggregate of RMB200 million according to a limited partnership agreement. The principal business of Rongyu Fund is equity investments in Mainland China.

OUTLOOK

Looking back at the first half of the year, we were still subjected to an unfavourable global economic situation and intensified competition. As such, it remains difficult for us to step out of the prevailing difficulties and recover at this point in time. Nonetheless, regardless of how difficult the situation is, China Dongxiang is always committed to innovation and creativity. We are confident that, with determination and strategic planning, guided by our values of pragmatism, innovation and passion, we are emerging out of the shadows steadfastly and en route to spotlight.

In order to weather through this difficult stage, one must adhere to its unique brand style and product design. After more than a decade's development, China Dongxiang has already established a strong foundation and rich corporate culture. After a year of exploration and reflection, we have worked out a clear market direction for the Group now. Next, the Group will continue to integrate its product design resources. Staying attuned to market changes by maintaining acute market sense, we will continue to make every effort to roll out high-quality, stylish and creative products that meet the market demand. At the same time, we will strengthen our research and development capabilities at our R&D centre in Taicang by increasing the proportion of our proprietary technologies in our product lines. We will also pay more attention to the fine details of products and differentiate our products against competition. We will strive to meet different needs of consumers and offer flexibility to mix and match across different product lines. By doing so, we will be able to deliver a better product experience, thus enhancing our brand positioning.

In the future, we will continue to fine tune our distribution channels, deepen our market penetration through retail outlets, and strengthen our control over the management of these channels by drawing on the successful experiences of the Group's subsidiary in Hunan, by increasing the interaction between the brand and retail channels, and by keeping ourselves abreast of the latest trends in the end-user market and demands from different consumer groups. Meanwhile, we will continue to optimise the supply chain, establish a responsive supply chain information platform, improve supply chain flexibility, respond to market changes in a timely manner and accelerate repeat purchase processing, so as to ensure our sell-through rate.

Finding and keeping strength to persevere and endure in spite of overwhelming obstacles is the way we cope with difficulties. Responsiveness to rapid market changes and scientific management will be key to the Group's success. The Group will exploit different market opportunities in order to ride the next wave of recovery and maximise return to shareholders.

1. SHARE OPTION SCHEME

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 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 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 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 Shareholders' approval.

For the six months ended 30 June 2013, there were no share options granted, exercised, lapsed or cancelled and there was no other share option outstanding under the Share Option Scheme.

2. 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 six months ended 30 June, 2013, 1,700,000 Restricted Shares were granted to eligible participants pursuant to the Restricted Share Award Scheme. 1,700,000 Restricted Shares were vested during the period. For the six months ended 30 June, 2013, the number of Restricted Shares granted under the scheme amounted to 1,700,000 Shares, representing approximately 0.03% of the issued Shares as at the Adoption Date. Details of movements of the Restricted Shares under the Restricted Share Award Scheme for the six months ended 30 June, 2013 are as follows:

	Number of Restricted Shares				
Date of grant	**as at 01/01/2013**	**granted during the period**	**vested during the period**	**lapsed during the period**	**as at 30/06/2013**
27/3/2013	29,062,000	1,700,000	1,700,000	—	27,362,000

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.

3. DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 June 2013, 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 Stock Exchange of Hong Kong Limited (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 The Model Code for securities Transactions by directors of Listed Companies ("Model Code") contained in The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") on the Hong Kong Stock Exchange were as follows:

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

		Number and class of securities		Approximate percentage of total issued
Name of Directors	**Nature of interest**	**Long position**	**Short position**	**Shares**
Mr. Chen Yihong	Interest of a controlled corporation[1]	2,227,081,000 shares	—	40.23%
Mr. Qin Dazhong	Interest of a controlled corporation[2]	211,864,000 shares	—	3.83%

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) Wise Finance Ltd, is wholly-owned and controlled by Mr. Qin Dazhong and Mr. Qin Dazhong is therefore deemed to be interested in the Shares held by Wise Finance Ltd.

Save as disclosed above, as at 30 June 2013, 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.

(b) Interests and short Positions of substantial shareholders

As at 30 June 2013, 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 and class of securities		
Name of Shareholders	**Nature of interest**	**Long position**	**Short position**	**Approximate percentage of shareholding**
Poseidon Sports Limited	Corporate interest	2,227,081,000 shares	—	40.23%
Talent Rainbow Far East Limited[1]	Interest in a controlled corporation	2,227,081,000 shares	—	40.23%
Harvest Luck Development Limited[1]	Interest in a controlled corporation	2,227,081,000 shares	—	40.23%

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.

Save as disclosed above, as at 30 June 2013, 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.

4. CHANGES IN DIRECTORSHIP

With effect from 31 May 2013, Dr. Xiang Bing ("Dr. Xiang"), had resigned as 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).

5. 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 in identifying and formalising best practices.

During the period under review, 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"), except for the following deviations:

(i) 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.

(ii) Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. Provision A.6.7 of the CG Code provides that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yihong (chairman and chief executive officer), Mr. Jin Zhi Guo (resigned as independent non-executive director on 24 May 2013) and Dr. Xiang Bing (independent non-executive director) could not attend the annual general meeting of the Company held on 15 May 2013 due to important business appointments. However, the chief operating officer, the other independent non-executive director, non-executive director and the company secretary attended the annual general meeting to ensure effective communication with the shareholders of the Company.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2012.

6. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. Having made specific enquiry by the Company, all the directors of the Company confirmed that they had complied with the required standard regarding securities transactions by the directors as set out in the Model Code during the period under review.

7. AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, has reviewed the interim financial information, financial reporting system and internal control of the Company, including the interim results for the six months ended 30 June 2013.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2013 of the Group has also been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose review report is included in the interim report to be sent to shareholders.

8. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Independent Review Report of the Auditor

羅兵咸永道

Report on review of interim financial information
To the board of directors of China Dongxiang (Group) Co.,Ltd.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 56, which comprises the interim condensed consolidated balance sheet of China Dongxiang (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2013 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2013

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Interim Consolidated Income Statement

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Revenue	6	**562,682**	832,351
Cost of goods sold	8	**(292,066)**	(414,870)
Reversal of/(provision for) impairment of inventories	8	**12,397**	(11,855)
Gross profit		**283,013**	405,626
Other gains, net	7	**4,370**	4,038
Investment income from available-for-sale financial assets		**5,436**	—
Provision for impairment of available-for-sale financial assets	16	**(11,959)**	—
Distribution costs	8	**(181,102)**	(263,077)
Administrative expenses	8	**(67,689)**	(93,948)
Operating profit		**32,069**	52,639
Finance income, net	9	**98,442**	90,532
Share of profits/(losses) of jointly controlled entities		**143**	(412)
Profit before income tax		**130,654**	142,759
Income tax expense	10	**(44,532)**	(49,117)
Profit for the period		**86,122**	93,642
Profit attributable to:			
— Equity holders of the Company		**91,866**	97,074
— Non-controlling interests		**(5,744)**	(3,432)
		86,122	93,642
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB cents per share)			
— Basic and diluted earnings per share	11	**1.67**	1.75
Dividends	12	**64,776**	68,098

The notes on pages 37 to 56 form an integral part of this condensed consolidated interim financial information.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Profit for the period		**86,122**	93,642
Other comprehensive income:			
Items that may be reclassified to profit or loss			
— Fair value change on available-for-sale financial assets, net of tax	21	**(3,391)**	(6,212)
— Foreign currency translation differences	21	**(62,577)**	770
Total items that may be reclassified subsequently to profit or loss		**(65,968)**	(5,442)
Other comprehensive income, net of tax		**(65,968)**	(5,442)
Total comprehensive income for the period		**20,154**	88,200
Total comprehensive income for the period attributable to:			
— Equity holders of the Company		**25,898**	91,632
— Non-controlling interests		**(5,744)**	(3,432)
		20,154	88,200

The notes on pages 37 to 56 form an integral part of this condensed consolidated interim financial information.

Interim Consolidated Balance Sheet

As at 30 June 2013

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**92,826**	101,201
Lease prepayments	14	**12,150**	12,293
Intangible assets	15	**262,795**	272,027
Interests in jointly controlled entities		**15,705**	15,562
Available-for-sale financial assets	16	**1,355,385**	1,026,587
Deferred income tax assets		**85,786**	93,665
Prepayments, deposits and other receivables — non-current portion		**45,953**	43,886
		1,870,600	1,565,221
Current assets			
Inventories		**236,088**	287,325
Trade receivables	17	**312,494**	414,124
Prepayments, deposits and other receivables		**83,526**	88,276
Other financial assets	18	**2,687,686**	2,261,137
Cash and bank balances	19	**1,973,583**	2,712,996
		5,293,377	5,763,858
Total assets		**7,163,977**	7,329,079
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	20	**53,589**	53,589
Share premium account	20	**1,928,695**	1,984,059
Reserves	21	**4,912,777**	4,884,974
		6,895,061	6,922,622
Non-controlling interests		**16,080**	21,824
Total equity		**6,911,141**	6,944,446

Interim Consolidated Balance Sheet

As at 30 June 2013

	Note	Unaudited 30 June 2013 RMB'000	Audited 31 December 2012 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**29,804**	24,162
		29,804	24,162
Current liabilities			
Trade payables	22	**85,536**	124,032
Accruals and other payables		**122,317**	210,518
Provisions	23	**12,792**	22,771
Current income tax liabilities		**2,387**	3,150
		223,032	360,471
Total liabilities		**252,836**	384,633
Total equity and liabilities		**7,163,977**	7,329,079
Net current assets		**5,070,345**	5,403,387
Total assets less current liabilities		**6,940,945**	6,968,608

The notes on pages 37 to 56 form an integral part of this condensed consolidated interim financial information.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

		Unaudited						
		Attributable to equity holders of the Company						
	Note	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 2013		**53,589**	**1,984,059**	**(130,041)**	**5,015,015**	**6,922,622**	**21,824**	**6,944,446**
Comprehensive income								
Profit for the period		**—**	**—**	**—**	**91,866**	**91,866**	**(5,744)**	**86,122**
Other comprehensive income								
Fair value change on available-for-sale financial assets	16	**—**	**—**	**(3,391)**	**—**	**(3,391)**	**—**	**(3,391)**
Currency translation differences	21	**—**	**—**	**(62,577)**	**—**	**(62,577)**	**—**	**(62,577)**
Total other comprehensive income, net of tax		**—**	**—**	**(65,968)**	**—**	**(65,968)**	**—**	**(65,968)**
Total comprehensive income		**—**	**—**	**(65,968)**	**91,866**	**25,898**	**(5,744)**	**20,154**
Transactions with owners								
Dividends relating to 2012, paid		**—**	**(55,364)**	**270**	**—**	**(55,094)**	**—**	**(55,094)**
Shares vested under Restricted Share Award Scheme		**—**	**—**	**1,635**	**—**	**1,635**	**—**	**1,635**
Total contributions and distributions to owners of the Company		**—**	**(55,364)**	**1,905**	**—**	**(53,459)**	**—**	**(53,459)**
Balance at 30 June 2013		**53,589**	**1,928,695**	**(194,104)**	**5,106,881**	**6,895,061**	**16,080**	**6,911,141**
Balance at 1 January 2012		54,562	2,135,560	(235,510)	4,840,560	6,795,172	4,739	6,799,911
Comprehensive income								
Profit for the period		—	—	—	97,074	97,074	(3,432)	93,642
Other comprehensive income								
Fair value change on available-for-sale financial assets	16	—	—	(6,212)	—	(6,212)	—	(6,212)
Currency translation differences	21	—	—	770	—	770	—	770
Total other comprehensive income, net of tax		—	—	(5,442)	—	(5,442)	—	(5,442)
Total comprehensive income		—	—	(5,442)	97,074	91,632	(3,432)	88,200
Transactions with owners								
Shares repurchased and cancelled		(973)	(83,403)	—	—	(84,376)	—	(84,376)
Total contributions and distributions to owners of the Company		(973)	(83,403)	—	—	(84,376)	—	(84,376)
Balance at 30 June 2012		53,589	2,052,157	(240,952)	4,937,634	6,802,428	1,307	6,803,735

The notes on pages 37 to 56 form an integral part of this condensed consolidated interim financial information.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

	Note	Unaudited Six months ended 30 June 2013 RMB'000	 2012 RMB'000
Cash flow from operating activities			
Cash generated from operations		**194,083**	28,179
Interest received		**23,612**	26,072
Income tax paid		**(31,774)**	(44,512)
Cash inflow from operating activities		**185,921**	9,739
Cash flow from investing activities			
Purchase of property, plant and equipment	13	**(5,157)**	(4,027)
Purchase of intangible assets	15	**(1,183)**	(1,922)
Decrease in term deposits with initial terms over three months		**492,848**	30,326
Decrease in restricted bank deposits		**—**	785
Proceeds from disposal property, plant and equipment and intangible assets		**958**	797
Increase in investments in available-for-sales financial assets		**(357,467)**	—
Increase in other financial assets		**(426,549)**	(350,000)
Dividends received from available-for-sales financial assets		**5,436**	—
Cash outflow from investing activities		**(291,114)**	(324,041)
Cash flow from financing activities			
Repurchase of shares	20	**—**	(84,376)
Dividends paid		**(55,094)**	—
Cash outflow from financing activities		**(55,094)**	(84,376)
Net decrease in cash and cash equivalents		**(160,287)**	(398,678)
Cash and cash equivalents at the beginning of the period		**341,286**	722,882
Exchange losses on cash and cash equivalents		**(538)**	(1,640)
Cash and cash equivalents at the end of the period		**180,461**	322,564

The notes on pages 37 to 56 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2013

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 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.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 21 August 2013.

This condensed consolidated interim financial information has not been audited.

2 BASIC OF PREPARATION

These condensed consolidated interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs.

3 ACCOUNTING POLICIES

Except as described below, the accounting polices applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

- IAS 19 (revised), 'Employee benefits'. IAS 19 (revised) amends the accounting for employment benefits. The impact on the Group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

- IFRS 10, 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

- IFRS 11, 'Joint arrangements'. Under IFRS 11 Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. The Group has assessed the interest in its jointly controlled entity to be a joint venture.

- IFRS 13, 'Fair value measurement'. IFRS 13 measurement and disclosure requirements are applicable for the December 2013 year end. The Group has included the disclosures for financial assets (see Note 5).

  There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

3 ACCOUNTING POLICIES (CONTINUED)

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2014.

- IAS 32 (Amendment), 'Financial instruments: Presentation — Offsetting financial assets and financial liabilities'. The amendments clarify the requirements for offsetting financial instruments on the statement of financial position: (i) the meaning of currently has a legally enforceable right of set-off; and (ii) that some gross settlement systems may be considered equivalents to net settlement. The Group is yet to assess IAS 32's full impact and intends to adopt IAS 32's no later than the accounting period beginning on or after 1 January 2014.

- Amendments to IAS 36, recoverable amount disclosures for non-financial assets. The IASB made consequential amendments to the disclosure requirements of IAS 36 when it issued IFRS 13. One of the amendments was drafted more widely than intended. The unintended result requires to disclose the recoverable amount for each CGU with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment. IASB has published limited amendments to remove such requirement for CGU without impairment and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment. The Group is yet to assess IAS 36's full impact and intends to adopt IAS 36's no later than the accounting period beginning on or after 1 January 2014.

  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.

4 ESTIMATES

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2012.

5 FINANCIAL RISK MANAGEMENT

5.1 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 interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

There have been no changes in the risk management policies of the Group since the year end.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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 assets that are measured at fair value at 30 June 2013 and 31 December 2012.

At 30 June 2013	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets				
— Equity securities	**16,309**	**—**	**1,339,076**	**1,355,385**

At 31 December 2012	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets				
— Equity securities	20,011	—	1,006,576	1,026,587

In the six months ended 30 June 2013, there were no reclassifications of financial assets. Losses in the amount of RMB11,959,000 (2012: nil) were due to impairments.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.4 Fair value measurements using significant unobservable inputs (Level 3)

Six months ended 30 June 2013	RMB'000
Opening balance at 1 January 2013	1,006,576
Exchange difference	(13,008)
Additions	357,467
Losses recognised in profit and loss	(11,959)
Closing balance at 30 June 2013	1,339,076
Total losses for the period including in profit or loss for assets held at the end of the reporting period	11,959

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments mainly include private equity. As observable prices are not available for these securities, the Group has used valuation techniques to drive the fair value.

5.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. They reports directly to the chief financial officer (CFO) and the audit committee (AC). Discussions of valuation processes and results are held between the CFO, AC and the finance department at least half a year, in line with the Group's reporting dates.

The Level 3 equity investment consists of private equity position. The Group measures the fair value of these investments using valuation methodologies by considering a wide range of factors, including but not limited to the price at which the investments were acquired, the nature of the investments, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance and financing ability subsequent to the acquisition of the investments. The inputs to the determination of fair value require significant judgment.

The Level 3 debt investment consists of the investing in Funds with debt securities. The Group values these instruments using the net present value of estimated future cash flows. The Group also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

5.6 Fair value of financial assets and liabilities measured at amortised cost

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables
- Other current financial assets
- Cash and cash equivalents
- Trade and other payables
- Provisions

6 SEGMENT INFORMATION

The Group is principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories in Mainland of 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 the business and assesses the performance from a geographic perspective, including China (including Mainland of the 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 licencees in other countries. The investments in available-for-sale financial assets are also included since the underlying operations of the investee companies are in China.

- Japan — includes distribution and retail of sport apparel under Kappa, Phenix and other brands.

Revenue between segments are carried out on terms set out in agreements governing the transactions. The revenue from external customers reported to the chief operating decision maker is measured in a manner consistent with that in the interim consolidated income statement.

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

	Six months ended 30 June 2013			
	China RMB'000	Japan RMB'000	Unallocated RMB'000	Total RMB'000
Total revenue before inter-segment elimination	**391,448**	**172,157**	**—**	**563,605**
Inter-segment revenue	**—**	**(923)**	**—**	**(923)**
Revenue from external customers	**391,448**	**171,234**	**—**	**562,682**
Cost of goods sold	**(181,160)**	**(110,906)**	**—**	**(292,066)**
Reversal of/(provision for) impairment of inventories	**15,525**	**(3,128)**	**—**	**12,397**
Segment gross profit	**225,813**	**57,200**	**—**	**283,013**
Segment operating profit	**92,176**	**(36,285)**	**(23,822)**	**32,069**
Finance income	**89,919**	**1,262**	**8,839**	**100,020**
Finance cost	**(454)**	**(1,077)**	**(47)**	**(1,578)**
Share of profits of jointly controlled entities	**—**	**143**	**—**	**143**
Profit before income tax	**181,641**	**(35,957)**	**(15,030)**	**130,654**
Income tax expense	**(44,037)**	**(495)**	**—**	**(44,532)**
Profit for the period	**137,604**	**(36,452)**	**(15,030)**	**86,122**
Other items of income and expense				
Depreciation and amortisation	**11,402**	**3,860**	**—**	**15,262**
Provision for impairment of available-for-sale financial assets	**11,959**	**—**	**—**	**11,959**
Reversal of impairment of trade and other receivables	**—**	**(5,162)**	**—**	**(5,162)**

6 SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2012			
	China RMB'000	Japan RMB'000	Unallocated RMB'000	Total RMB'000
Total revenue before inter-segment elimination	614,289	227,722	—	842,011
Inter-segment revenue	—	(9,660)	—	(9,660)
Revenue from external customers	614,289	218,062	—	832,351
Cost of goods sold	(285,608)	(129,262)	—	(414,870)
Provision for impairment of inventories	—	(11,855)	—	(11,855)
Segment gross profit	328,681	76,945	—	405,626
Segment operating profit	125,965	(27,984)	(45,342)	52,639
Finance income	79,173	6,551	6,835	92,559
Finance cost	(339)	(1,660)	(28)	(2,027)
Share of losses of jointly controlled entities	—	(412)	—	(412)
Profit before income tax	204,799	(23,505)	(38,535)	142,759
Income tax expense	(48,405)	(712)	—	(49,117)
Profit for the period	156,394	(24,217)	(38,535)	93,642
Other items of income and expense				
Depreciation and amortisation	14,145	5,347	—	19,492
Reversal of impairment of trade and other receivables	—	(7,439)	—	(7,439)

Further analysis of revenue by brands and activities in China and Japan is as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
China		
— Distribution of Kappa Brand products	**331,048**	572,179
— Retail of Kappa Brand products	**50,460**	27,419
— International business and others	**9,940**	14,691
	391,448	614,289
Japan		
— Distribution and retailing of Kappa Brand products	**91,156**	117,210
— Distribution and retailing of Phenix Brand products	**80,078**	100,852
	171,234	218,062
	562,682	832,351

6 SEGMENT INFORMATION (CONTINUED)

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

	As at 30 June 2013			
	China RMB'000	**Japan RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Interests in jointly controlled entities	**—**	**15,705**	**—**	**15,705**
Available-for-sale financial assets	**1,355,385**	**—**	**—**	**1,355,385**
Deferred income tax assets	**85,786**	**—**	**—**	**85,786**
Other assets	**4,643,116**	**327,325**	**838,913**	**5,809,354**
Total assets before inter-segment elimination	**6,084,287**	**343,030**	**838,913**	**7,266,230**
Inter-segment elimination	**(8,148)**	**(7,155)**	**(86,950)**	**(102,253)**
Segment assets	**6,076,139**	**335,875**	**751,963**	**7,163,977**
Deferred income tax liabilities	**26,249**	**3,555**	**—**	**29,804**
Current income tax liabilities	**1,751**	**636**	**—**	**2,387**
Other liabilities	**120,815**	**115,123**	**31,108**	**267,046**
Total liabilities before inter-segment elimination	**148,815**	**119,314**	**31,108**	**299,237**
Inter-segment elimination	**(7,154)**	**(8,139)**	**(31,108)**	**(46,401)**
Segment liabilities	**141,661**	**111,175**	**—**	**252,836**

	As at 31 December 2012			
	China RMB'000	Japan RMB'000	Unallocated RMB'000	Total RMB'000
Interests in jointly controlled entities	—	15,562	—	15,562
Available-for-sale financial assets	1,026,587	—	—	1,026,587
Deferred income tax assets	93,665	—	—	93,665
Other assets	5,383,951	439,279	484,313	6,307,543
Total assets before inter-segment elimination	6,504,203	454,841	484,313	7,443,357
Inter-segment elimination	(8,424)	(13,749)	(92,105)	(114,278)
Segment assets	6,495,779	441,092	392,208	7,329,079
Deferred income tax liabilities	20,436	3,726	—	24,162
Current income tax liabilities	1,751	1,399	—	3,150
Other liabilities	236,760	142,779	36,343	415,882
Total liabilities before inter-segment elimination	258,947	147,904	36,343	443,194
Inter-segment elimination	(14,371)	(7,847)	(36,343)	(58,561)
Segment liabilities	244,576	140,057	—	384,633

7 OTHER GAINS, NET

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Government subsidy income	**1,004**	1,744
Loss of disposal construction in progress	**—**	(193)
Others	**3,366**	2,487
	4,370	4,038

Government subsidy income represents grants from the local finance bureaus as encouragement to the Company's subsidiaries' investments and are 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 EXPENSES BY NATURE

The expenses included in cost of goods sold, reversal of/(provision for) impairment of inventories, distribution costs and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Cost of inventories recognised as cost of goods sold	**286,604**	406,250
Depreciation/amortisation of property, plant and equipment, lease prepayments and intangible assets (Note 13, 14 and 15)	**15,262**	19,492
Loss on disposal of property, plant and equipment	**1,016**	299
Advertising and marketing expenses	**14,433**	41,677
Sales operating expenses	**48,319**	48,074
Employee salary and benefit expenses	**76,455**	104,921
Design and product development expenses	**23,822**	45,342
Legal and consulting expenses	**1,982**	3,909
Operating lease in respect of buildings	**16,409**	27,985
Logistic fees	**30,518**	38,287
(Reversal of)/provision for impairment of inventories	**(12,397)**	11,855
Reversal of impairment of trade and other receivables	**(5,162)**	(7,439)
Travelling expenses	**8,659**	10,840
Auditors' remuneration	**900**	900
Others	**21,640**	31,358
Total of cost of goods sold, reversal of/(provision for) impairment of inventories, distribution costs and administrative expenses	**528,460**	783,750

9 FINANCE INCOME, NET

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Finance income:		
— Interest income from bank deposits	**33,528**	50,463
— Income from other financial assets	**62,387**	34,224
— Foreign exchange gains, net	**4,105**	7,872
	100,020	92,559
Finance cost:		
— Others	**(1,578)**	(2,027)
	98,442	90,532

10 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current income tax		
— PRC enterprise income tax ("EIT")	**30,344**	71,005
— Taxation in Japan	**667**	750
Deferred income tax	**13,521**	(22,638)
	44,532	49,117

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

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 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 six months ended 30 June 2013 (2012: nil).

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 2012, the major operating subsidiary of the Group obtained approval from tax bureau on 5% withholding income tax rate. As at 30 June 2013, the Group had provided a deferred withholding tax liability amount to RMB26,249,000 (2012: RMB 20,436,000) in relation to the profit of the PRC subsidiaries that will be distributed.

10 INCOME TAX EXPENSE (CONTINUED)

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the six months ended 30 June 2013 applicable to the subsidiary is 30% (2012: 30%) based on the assessable profit. The inhabitant tax is determined based on rates (determined by the prefecture and city where the company maintains its operations) on the income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the six months ended 30 June 2013 (2012: nil), such subsidiary was subject to the minimum inhabitant tax payments.

11 EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company (RMB'000)	**91,866**	97,074
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,508,241**	5,543,387
Basic earnings per share (RMB cents per share)	**1.67**	1.75

(b) Diluted

No diluted earnings per share has been presented since there was no potential diluted ordinary share during the period as at 30 June 2013.

12 DIVIDENDS

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Interim dividend of RMB0.50 cents per share (2012: RMB0.53 cents per share)	**27,682**	29,343
Interim special dividend of RMB0.67 cents per share (2012: RMB0.70 cents per share)	**37,094**	38,755
	64,776	68,098

Pursuant to a resolution passed on 21 August 2013, the board of directors declared an interim dividend and an interim special dividend of RMB0.50 cents and RMB0.67 cents per share, respectively (2012: RMB0.53 cents and RMB0.70 cents per share), totalling RMB1.17 cents, to be distributed from the share premium account of the Company. The interim dividend and interim special dividend, amounting to RMB64,776,000 (2012: RMB68,098,000) have not been reflected as dividends payable in the consolidated interim financial information. They will be recognised in shareholders' equity in the year ending 31 December 2013.

During the six months ended 30 June 2013, RMB55,364,000 was paid in May 2013, including the dividends of RMB270,000 to the Shares held for Restricted Share Award Scheme (Note 21) (2012: nil).

13 PROPERTY, PLANT AND EQUIPMENT

	RMB'000
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	**101,201**
Additions	**5,157**
Disposals	**(1,974)**
Depreciation (Note 8)	**(7,787)**
Exchange difference	**(3,771)**
Closing amount as at 30 June 2013	**92,826**
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	116,614
Additions	4,027
Disposals	(497)
Depreciation (Note 8)	(9,406)
Exchange difference	(568)
Closing amount as at 30 June 2012	110,170

14 LEASE PREPAYMENTS

	Lease prepayments for land use rights RMB'000	Lease prepayments for stores RMB'000	Total RMB'000
Six months ended 30 June 2013			
Opening amount as at 1 January 2013	**12,293**	**—**	**12,293**
Amortisation (Note 8)	**(143)**	**—**	**(143)**
Closing amount as at 30 June 2013	**12,150**	**—**	**12,150**
Six months ended 30 June 2012			
Opening amount as at 1 January 2012	12,581	207	12,788
Amortisation (Note 8)	(145)	(207)	(352)
Closing amount as at 30 June 2012	12,436	—	12,436

15 INTANGIBLE ASSETS

	Trademarks RMB'000	Computer software RMB'000	Total RMB'000
Six months ended 30 June 2013			
Opening amount as at 1 January 2013	**258,809**	**13,218**	**272,027**
Additions	**—**	**1,183**	**1,183**
Exchange difference	**(2,749)**	**(334)**	**(3,083)**
Amortisation (Note 8)	**(3,901)**	**(3,431)**	**(7,332)**
Closing amount as at 30 June 2013	**252,159**	**10,636**	**262,795**
Six months ended 30 June 2012			
Opening amount as at 1 January 2012	268,858	20,253	289,111
Additions	—	1,922	1,922
Exchange difference	(395)	(81)	(476)
Amortisation (Note 8)	(3,953)	(5,988)	(9,941)
Closing amount as at 30 June 2012	264,510	16,106	280,616

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
At 1 January	**1,026,587**	973,398
Additions (Note(c), (d), (e))	**357,467**	—
Exchange differences	**(13,319)**	2,549
Changes in fair value (Note (f))	**(3,391)**	(6,212)
Impairment losses (Note (d))	**(11,959)**	—
At 30 June	**1,355,385**	969,735

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

The available-for-sale financial assets as at the balance sheet date include the following:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity securities in the PRC		
— MSYH Group (Note (a))	**70,000**	70,000
— Yunfeng E-commerce Funds (Note (b))	**752,568**	765,576
— Yunfeng Fund II (Note (c))	**7,467**	—
— CITIC Mezzanine Fund I (Note (d))	**288,041**	150,000
— Rongyu Fund (Note (e))	**200,000**	—
— Other equity investment	**21,000**	21,000
Listed equity securities in the US		
— Mecox Lane (Note (f))	**16,309**	20,011
	1,355,385	1,026,587
Market value of listed securities	**16,309**	20,011

Notes:

(a) This represents the Group's holding of 22.05% equity interests in Mai Sheng Yue He Sporting Goods Co., Limited which wholly owns various companies engaging in the distribution and retail of sport-related products in various provinces in the PRC ("MSYH Group").

(b) In September 2011, the Group subscribed for limited partnership agreements with Yunfeng E-commerce funds ("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 Group Holding Limited, a leading group in the Chinese e-commerce industry. As at 30 June 2013, the investment was stated at fair value.

(c) In May 2013, the Group subscribed for limited partnership interests with a total capital commitment of USD20,000,000 in Yunfeng Fund II. The Yunfeng fund II is a limited partnership established for the purpose of making equity investments in the PRC. As at 30 June 2013, the Group has paid USD1,200,000 (equivalent to RMB7,467,000 at historical exchange rate), being 6% of the capital commitment.

(d) In September 2011, the Group subscribed for limited partnership interests with a total capital commitment of RMB300,000,000 in CITIC Mezzanine Fund I. The CITIC Mezzanine Fund I is a limited partnership established for the purpose of making equity and debt investments in the PRC. In November 2011 and June 2013, the Group had paid RMB150,000,000 respectively.

As at 30 June 2013, the investment was stated at fair value of RMB288,041,000. The decline in fair values of the investment was considered other-than-temporary. Accordingly, the Group recognised a loss of RMB11,959,000 (2012: nil) in respect of provision for impairment of this investment.

(e) In May 2013, the Group subscribed for limited partnership interests with a total capital commitment of RMB200,000,000 in Rongyu Fund. The Rongyu Fund is a limited partnership established for the purpose of making equity investments in the PRC. As at 30 June 2013, the Group has fully paid the capital commitment.

(f) In March 2011, the Group purchased 40,519,225 ordinary shares of Mecox Lane Limited ("Mecox Lane"), representing approximately 10% of the issued shares of Mecox Lane, at a price of USD0.8571 per share, totalling USD34,729,000 (equivalent to approximately RMB228,295,000). Mecox Lane is a company listed on NASDAQ in the United States of America and engaged in sales of apparel and accessories on online platforms in the PRC. In addition, the Group has options to purchase up to 18,306,117 ordinary shares of Mecox Lane at an exercise price of USD1.1429 per ordinary share during a two-year's period starting from 25 March 2011.

As at 30 June 2013, the investment was stated at fair value of RMB16,309,000 which was determined with reference to the quoted price of the listed shares of Mecox Lane. The decline in fair value of RMB3,391,000 (2012: RMB6,212,000) was charged to other comprehensive income.

17 TRADE RECEIVABLES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Trade receivables		
— Third parties	**232,651**	364,092
— Related parties (Note 25)	**154,786**	131,720
	387,437	495,812
Less: provision for impairment	**(74,943)**	(81,688)
Trade receivables, net	**312,494**	414,124

The Group's sales are mainly made on credit terms ranging from 30 to 60 days. The ageing analysis of trade receivables as at the balance sheet dates is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Current	**141,352**	201,497
Within 30 days	**55,300**	75,717
31 to 120 days	**97,342**	98,717
Over 120 days	**93,443**	119,881
	387,437	495,812

18 OTHER FINANCIAL ASSETS

	30 June 2013 RMB'000	31 December 2012 RMB'000
Treasury products issued by commercial banks	**2,687,686**	2,261,137

The Group invested in unlisted treasury products issued by commercial banks in the PRC. The principals of these investments are guaranteed by the corresponding commercial banks. The investments are interest bearing at rates ranging from 3.70% to 5.60% per annum, denominated in RMB and with maturity periods within one year.

19 CASH AND BANK BALANCES

	30 June 2013 RMB'000	31 December 2012 RMB'000
Restricted bank deposits	**51,694**	137,434
Term deposits with initial terms over three months and within one year	**1,741,428**	2,234,276
Cash and cash equivalents	**180,461**	341,286
	1,973,583	2,712,996

The restricted bank deposits as at 30 June 2013 comprised deposits held in bank accounts for issue of letters of credit for certain subsidiaries of the Group. As at 30 June 2013, the average interest rate on the restricted bank deposits was 1.99% (2012: 2.46%) per annum.

The cash and cash equivalents represent cash deposits held at call with banks and in hand. As at 30 June 2013 and 31 December 2012, cash and bank balances were denominated in the following currencies:

	30 June 2013 RMB'000	31 December 2012 RMB'000
RMB	**1,368,207**	2,021,968
USD	**160,181**	238,617
HKD	**381,956**	373,276
JPY	**62,165**	78,916
Other	**1,074**	219
	1,973,583	2,712,996

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.

20 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Authorised capital	
	Number of ordinary shares of par value HK$0.01	Nominal value of ordinary shares HKD'000
At 31 December 2012 and 30 June 2013	10,000,000,000	100,000

	Issued and fully paid				
	Number of ordinary shares of par value HKD0.01	Nominal value of issued ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2013	**5,507,339,000**	**55,365**	**53,589**	**1,984,059**	**2,037,648**
Dividends relating to 2012, paid	**—**	**—**	**—**	**(55,364)**	**(55,364)**
Shares vested under Restricted Share Award Scheme	**1,700,000**	**—**	**—**	**—**	**—**
At 30 June 2013	**5,509,039,000**	**55,365**	**53,589**	**1,928,695**	**1,982,284**
At 1 January 2012	5,606,401,000	56,365	54,562	2,135,560	2,190,122
Shares repurchased and cancelled	(100,000,000)	(1,000)	(973)	(83,403)	(84,376)
At 30 June 2012	5,506,401,000	55,365	53,589	2,052,157	2,105,746

21 RESERVES

	Capital reserves RMB'000	Share-based compensation reserve RMB'000	Statutory reserves RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Retained earnings RMB'000	Total 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 period	**—**	**—**	**—**	**—**	**—**	**—**	**91,866**	**91,866**
Change in fair value of available-for-sale financial assets (Note 16)	**—**	**—**	**—**	**—**	**(3,391)**	**—**	**—**	**(3,391)**
Foreign currency translation reserve	**—**	**—**	**—**	**(62,577)**	**—**	**—**	**—**	**(62,577)**
Dividends relating to the shares held for Restricted Share Award Scheme	**270**	**—**	**—**	**—**	**—**	**—**	**—**	**270**
Shares vested under Restricted Share Award Scheme	**(4,938)**	**1,635**	**—**	**—**	**—**	**4,938**	**—**	**1,635**
At 30 June 2013	**291,722**	**3,693**	**20,047**	**(563,894)**	**133,803**	**(79,475)**	**5,106,881**	**4,912,777**
At 1 January 2012	298,744	1,342	17,783	(466,241)	—	(87,138)	4,840,560	4,605,050
Profit for the period	—	—	—	—	—	—	97,074	97,074
Change in fair value of available-for-sale financial assets (Note 16)	—	—	—	—	(6,212)	—	—	(6,212)
Foreign currency translation reserve	—	—	—	770	—	—	—	770
At 30 June 2012	298,744	1,342	17,783	(465,471)	(6,212)	(87,138)	4,937,634	4,696,682

Note: The Company adopted the Restricted Share Award Scheme on 10 December 2010 with an objective 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 was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. As the financial and operational policies of the Trust are governed by the Group, and the Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

During the year ended 30 June 2013, 1,700,000 shares with the fair value of RMB1,635,000 (2012: 938,000 shares with the fair value of RMB716,000) were granted to two members of senior management under Restricted Share Award Scheme.

22 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
Current	**70,924**	115,878
Within 30 days	**6,813**	1,543
31 to 120 days	**1,134**	21
Over 120 days	**6,665**	6,590
	85,536	124,032

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.

23 PROVISIONS

The provision represents provision for sales returns and sales discount for the Japan operations of the Group.

The movements in the provision account are as follows:

	Six months ended 30 June	
	2013 RMB'000	2012 RMB'000
At 1 January	**22,771**	27,184
Utilisation	**(37,603)**	(45,090)
Provision	**27,624**	36,549
At 30 June	**12,792**	18,643

24 COMMITMENTS

The Group had the following commitments as at 30 June 2013:

(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 were as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
No later than 1 year	**51,052**	33,439
Later than 1 year and no later than 5 years	**42,258**	25,962
Over 5 years	**349**	—
	93,659	59,401

(b) Capital commitments

	30 June 2013 RMB'000	31 December 2012 RMB'000
Contracted but not provided for		
— For investment in Yunfeng Fund II (Note 16(c))	**116,107**	—
— For investment in CITIC Mezzanine Fund I (Note 16(d))	**—**	150,000
	116,107	150,000

(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 were as follows:

	30 June 2013 RMB'000	31 December 2012 RMB'000
No later than 1 year	**15,238**	7,629
Later than 1 year and no later than 5 years	**10,862**	5,177
	26,100	12,806

25 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, 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 or the party is an associate of another party.

The ultimate controlling party of the Group is Mr. Chen Yihong, the Chairman and Executive Director 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's close family members are considered to be related parties of the Company as well.

Save as disclosed elsewhere in this financial information, during the six months periods and as at the balance sheet dates, the Group had the following transactions and balances with related parties:

(a) Transactions with related parties

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Sales of goods to — MSYH Group	**190,303**	255,532
Purchase of goods from — Jointly controlled entities of the Group	**4,097**	9,519

(b) Balances with related parties

	30 June	31 December
	2013	2012
	RMB'000	RMB'000
Trade receivables (Note 17) — MSYH Group	**154,786**	131,720
Other receivables — MSYH Group	**18,723**	19,445
Trade payables — Jointly controlled entities of the Group	**66**	274

The above balances with related parties were unsecured, non-interest bearing and without fixed repayment terms.

(c) Key management compensation

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries, bonus and other welfares	**4,636**	6,074
Pension — defined contribution plans	**36**	72
	4,672	6,146

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