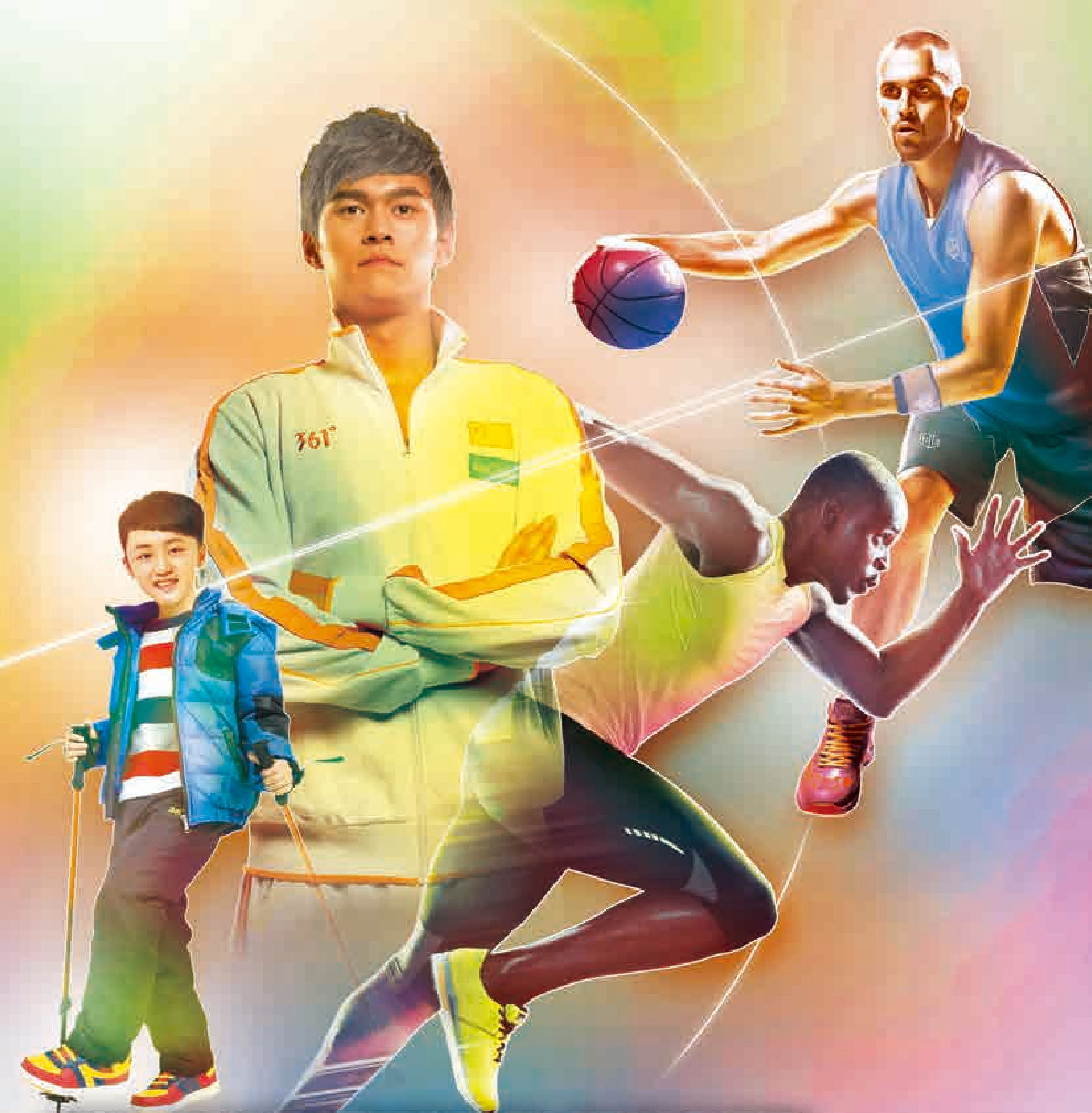


INVOKES YOUR POWER GOING BEYOND 360°

361 DEGREES INTERNATIONAL LIMITED

STOCK CODE: 1361

ANNUAL REPORT 2014

17th Asian Games INCHEON 2014

2014年第十七届仁川亚运会运动服高级合作伙伴
(THE 17TH) ASIAN GAMES INCHEON 2014 SPORTSWEAR PRESTIGE PARTNER

NANJING 2014 YOUTH OLYMPIC GAMES

YOG DNA

第二届夏季青年奥林匹克运动会合作伙伴
Official Partner of the Second Summer Youth Olympic Games

Contents

Company Information

BOARD OF DIRECTORS

Executive Directors

Ding Wuhao（丁伍號）
Ding Huihuang（丁輝煌）*(Chairman)*
Ding Huirong（丁輝榮）
Wang Jiabi（王加碧）

Independent Non-executive Directors

Yan Man Sing Frankie（甄文星）
Sun Xianhong（孫先紅）*(Resigned and effective from 1 June 2014)*
Tsui Yung Kwok（徐容國）
Liao Jianwen（廖建文）*(Appointed and effective from 1 June 2014)*

BOARD COMMITTEES

Audit Committee

Yan Man Sing Frankie（甄文星）*(Chairman)*
Sun Xianhong（孫先紅）*(Resigned and effective from 1 June 2014)*
Tsui Yung Kwok（徐容國）
Liao Jianwen（廖建文）*(Appointed and effective from 1 June 2014)*

Remuneration Committee

Liao Jianwen（廖建文）*(Chairman)* *(Appointed and effective from 1 June 2014)*
Wang Jiabi（王加碧）
Yan Man Sing Frankie（甄文星）
Sun Xianhong（孫先紅）*(Resigned and effective from 1 June 2014)*

Nomination Committee

Tsui Yung Kwok（徐容國）*(Chairman)*
Ding Wuhao（丁伍號）
Yan Man Sing Frankie（甄文星）

COMPANY SECRETARY

Choi Mun Duen（蔡敏端）
FCCA, HKICPA

AUTHORISED REPRESENTATIVES

Ding Wuhao（丁伍號）
Choi Mun Duen（蔡敏端）

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

361 Building
Huli High-technology Park
Xiamen, Fujian Province 361009
the PRC

FACTORIES IN THE PRC

No. 165 Qianjin Road
Jiangtou Village
Chendai Town,
Jinjiang City, Fujian Province
the PRC

Wuli Industrial Park
She Ma Lu
Jinjiang City
Fujian Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1609, Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

STOCK CODE

01361

CAYMAN ISLANDS 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 SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

KPMG

LEGAL ADVISERS

As to Hong Kong law:

Orrick, Herrington & Sutcliffe

As to Cayman Islands law:

Conyers Dill Pearman (Cayman) Limited

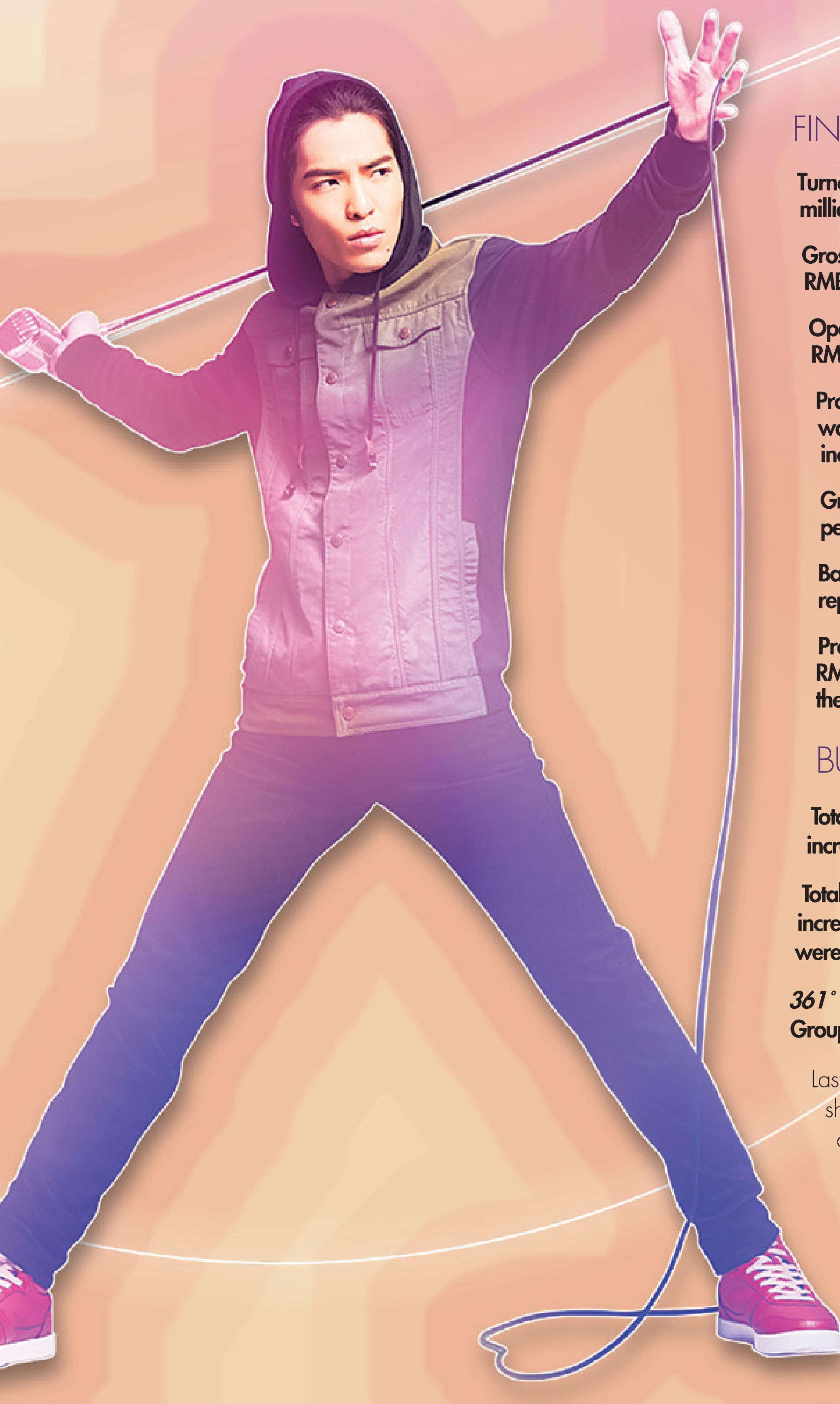
PRINCIPAL BANKERS

China Construction Bank Corporation
Industrial Bank Co., Ltd.
Xiamen International Bank
Industrial and Commercial Bank of China
China Citic Bank International Limited

COMPANY WEBSITE

www.361sport.com

Financial Highlights



FINANCIAL PERFORMANCE

Turnover increased by 9.0% to RMB3,906.3 million

Gross profit increased by 12.7% to RMB1,596.8 million

Operating profit increased by 105.6% to RMB724.2 million

Profit attributable to the equity shareholders was RMB397.6 million, representing an increase of 88.2%

Gross profit margin increased by 1.4 percentage point to 40.9%

Basic earnings per share is RMB19.2 cents, representing an increase by 88.2%

Proposed to declare a final dividend of RMB3.0 cents (HK3.7 cents) per share for the year ended 31 December 2014

BUSINESS PERFORMANCE

Total number of *361°* Sport's outlets increased from 7,299 to 7,319

Total number of *361°* retail kids' wear outlets increased from 1,858 to 2,142 of which 922 were counters in *361°* Sport's outlets

***361°* Kids revenue accounted for 13.0% of the Group's turnover**

Last date of registration for shareholders' entitlements to 2014 final dividend: 28 April 2015

Payment date of 2014 final dividend: on or about 13 May 2015

Five-Year Financial Summary

	For the year ended 31 December 2014	2013	2012	2011	2010
Profitability data (RMB'000)					
Turnover	**3,906,286**	3,583,477	4,950,578	5,568,678	4,849,010
Gross profit	**1,596,796**	1,417,099	1,972,312	2,362,810	2,010,876
Operating profit	**724,165**	352,210	864,413	1,385,024	1,146,824
Profit attributable to equity shareholders	**397,642**	211,261	707,208	1,133,050	982,838
Earnings per share					
– basic (RMB cents)	**19.2**	10.2	34.2	54.8	47.6
– diluted (RMB cents)	**19.2**	10.2	31.8	54.6	47.3
Profitability ratios (%)					
Gross profit margin	**40.9**	39.5	39.8	42.4	41.5
Operating profit margin	**18.5**	9.8	17.5	24.9	23.7
Margin of profit attributable to equity shareholders	**10.2**	5.9	14.3	20.4	20.1
Effective income tax rate (Note 1)	**36.4**	36.7	14.4	17.9	15.0
Return on shareholders' equity (Note 2)	**8.2**	4.5	15.8	28.7	30.0
Operating ratios (as a percentage of turnover) (%)					
Advertising and promotion expenses	**11.2**	11.4	10.6	7.8	10.3
Rack subsidies	**5.5**	4.8	4.1	3.1	0.6
Staff costs	**8.4**	8.3	6.9	7.5	5.4
Research and development	**2.4**	2.4	1.7	1.5	1.2

Notes:

1) Effective income tax rate is equal to the income tax divided by the profit before taxation excluding the net change in fair value of derivatives embedded in convertible bonds.

2) Return on shareholders' equity is equal to the profit attributable to equity shareholders divided by the average opening and closing equity attributable to equity shareholders of the Company.

	As at 31 December				
	2014	2013	2012	2011	2010
Assets and liabilities data (RMB'000)					
Non-current assets	**1,310,338**	1,303,183	1,279,223	1,181,172	938,604
Current assets	**7,224,394**	5,816,122	5,932,987	4,400,105	3,866,759
Current liabilities	**2,012,784**	1,605,653	1,726,168	1,274,945	1,148,370
Non-current liabilities	**1,485,002**	772,971	755,579	5,817	2,715
Equity attributable to equity shareholders	**4,965,041**	4,676,346	4,678,060	4,256,133	3,627,293
Non-controlling interests	**71,905**	64,335	52,403	44,382	26,985
Asset and working capital data					
Current asset ratios	**3.6**	3.6	3.4	3.5	3.4
Gearing ratios (%) (Note 3)	**17.6**	11.0	11.0	3.2	0.2
Net asset value per share (RMB) (Note 4)	**2.4**	2.3	2.3	2.1	1.8
Inventory turnover days (days) (Note 5)	**77**	73	56	40	22
Trade receivable turnover days (days) (Note 6)	**157**	191	149	108	91
Trade and bills receivable turnover days (days) (Note 7)	**167**	205	165	119	95
Trade and bills payable turnover days (days) (Note 8)	**169**	158	112	89	108
Working capital turnover days (days)	**75**	120	109	70	9

Notes:

3) The calculation of gearing ratio is based on the interest-bearing debt divided by the total asset of the Group at the end of the year.

4) The calculation of net asset value per share is based on the net assets divided by weighted average number of ordinary shares for the year.

5) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 365/366 days.

6) Trade receivable turnover days is equal to the average opening and closing trade receivables after allowance of doubtful debts divided by turnover multiplied by 365/366 days.

7) Trade and bills receivable turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by turnover multiplied by 365/366 days.

8) Trade and bills payable turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 365/366 days.

Chairman's Statement

All these efforts have resulted in higher performance standards and will place the Group on a stronger footing for the future and retain its position as a leading domestic brand.


ACCURACY

Chairman's Statement

Dear Shareholders,

On behalf of the board ("the Board") of directors (the "Directors") of 361 Degrees International Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group" or "*361°* Group") for the year ended 31 December 2014.

2014 has turned out to be a rather interesting year for the Chinese economy, which grew 7.4%, a rate much slower than that of previous years as was widely expected but still within the target set by the Chinese Central Government. As the nation began a gradual process of rebalancing its economy and set a new norm in its economic improvement, this slowdown will enable deep structural reforms to gain ground, even if belatedly, and will ensure that future growth will be sustainable. Retail sales in China grew by an encouraging 12% in the year in which internet commerce continued its explosive growth and will challenge traditional product sales strategies, retail formats and consumption patterns.

A main thrust of the year was the relentless drive against corruption of the Chinese Central Government under the leadership of President Xi Jinping, which had wide-ranging implications in various sectors of the economy. Social excesses in consumption and fragrant displays of opulence began to be frowned upon, leading to sharpen falls in demand for luxury goods and high-end items. This call for moderate consumption across the board, coupled with a gradual relaxation of monetary and fiscal policies, we believe will drive liquidity towards greater domestic consumption.

Such a flow augurs well for the sportswear industry, which the State Council, in its guideline to boost China's sports industry, entitled Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption, Guofa [2014] No. 46 in October 2014, sets a target of RMB 5 trillion overall scale by 2025, with 500 million people regularly participating in sports activities and all new neighbourhoods will have sports facilities.

The year under review also marked an end to the glut of inventory shackling the channels, under-pinned by years of substantially lower production and steadily growing demand. As the middle income groups, generally estimated to be about 350 million people, continue to have rising incomes, lifestyles change and health consciousness become increasingly more important. There are now higher levels of participation in sports and recreational activities as urban families prioritize their expectations for healthier living. This trend is likely to continue and grow in the foreseeable future as the Chinese Government is doing its own part where stadiums, sports grounds and facilities in many cities are now open to the public and measures are being introduced to primary and middle schools to increase physical activities.

As the sportswear industry continues to mature, there will be an increasing level of concentration in market share amongst the biggest players. Whilst competition is likely to remain intense, the challenge is for companies to produce higher quality products at acceptable price points. The *361°* Group is committed to such a value proposition and will continue to invest in research and development to stay in the forefront of product innovation. Through its extensive network of retailers, arguably the best in the country, the Group has an intimate understanding of the broader market beyond the developed coastal cities and believes it will make the right calls on product mix and pricing.

There will, no doubt, be many challenges, such as the crowded apparel sector which has seen the entry of a proliferation of brands as consumers become ever more discerning in their choices. That will put further pressure on volume at the expense of margins. Whilst production costs have so far been manageable, a dwindling and ageing labour pool will be of increasing concern. Internet sales, hitherto simply a channel for clearance of old stocks, will be a battlefront for innovative technologies and product diversification as the marketing landscape changes.

As previously mentioned, the Group has taken the opportunity during the recent down-turn to sharpen its act. Job responsibilities realigned, standard operating procedures reviewed and simplified, and the product portfolio revamped to concentrate on better selling lines. Training of its franchised retailers in product, merchandising and display have intensified and the pricing mechanism fine-tuned to ensure a fair margin between distributors and retailers. Over the last three years, the Group also spent over RMB 600 million in rack subsidies to upgrade the retailers' stores as an ongoing program to ensure that the stores' layout and appearance fit to stay uptop in the industry. All these efforts have resulted in higher performance standards and will place the Group on a stronger footing for the future and retain its position as a leading domestic sportswear brand.

In the year under review, the Group had also embarked on two new fronts to broaden its earnings stream. Both the One Way initiative in which the Group has a 70% interest in the equity joint-venture and the expansion into overseas markets, will require several years of investment before the right returns can be made. However, the Group believes that these initiatives are strategically important for the Group to remain a meaningful player in the Chinese sports industry in the long-run. The intangible benefits gained from such collaborative partnerships in research and marketing would drive the brand to a higher platform in quality and design of its products and further elevate its standing with domestic consumers.

The Group is proud to be awarded a 2nd Tier supplier as an "official supporter" for the Rio 2016 Olympic and Paraolympic Games and will supply uniforms to all the officials, organizers and volunteers of this sporting extravaganza, making it the first Chinese sportswear brand to sponsor the Olympic Games. The costs of this sponsorship are modest compared with the recognition that it will bring.

As we approach the Rio 2016 Olympic Games, the sentiment is turning increasingly positive. Retailers are encouraged by the opportunity of renewed profitability and see optimistic signs of further improvement. Our forward orders are solid and major improvements in products are in the pipeline.

Finally, on behalf of the Board, I would like to express my gratitude to all the stakeholders of the *361°* Group. From the management and staff, suppliers, distributors and retailers, to joint-venture partners and business associates and shareholders – each contributed to the success of 2014. We trust this enriching experience will continue in the years ahead.

Ding Huihuang
Chairman

Hong Kong, 10 March 2015


SPEED

Management Discussion and Analysis

The brand represents excellence, being one degree beyond the perfect round circle of 360 degrees.

Management Discussion and Analysis

INDUSTRY REVIEW

2014 will be remembered as the year in which the sportswear industry in China took the first stumbling steps towards a recovery after several years in the doldrums. Since 2011, the industry has been struggling with over-production clogging up the distribution channels, resulted in heavy discounting to reduce the stock-piles. Listed companies reported weaker financial results and retailers struggled to stay profitable, with many outlets being forced to close in face of rising costs and staggering losses.

Meanwhile, on a broader front, encouraging signs were developing. Boosted by higher income levels, the growing middle-class began to be more health conscious and started to participate in more recreational and sporting activities and this gradually drove a higher demand for sportswear and sporting goods. This improving sentiment was further helped by a guideline from the Chinese State Council in October 2014, entitled Opinions on Accelerating the Development of the Sports Industry and Promoting Sports Consumption, Guofa [2014] No. 46 of 2014. In a move to tap into the economic value of the sports industry, the Chinese Government vows to step back from an over-regulated sports market and to promote the fitness of its populace. With a view that China will emerge as the biggest fitness market in the world within the next twenty years, the Chinese Government set the following ambitious goals by 2025:

– the sports industry to top RMB5 trillion in size
– 500 million people to regularly participate in sports activities
– 100% of new neighbourhoods will have sports facilities

To achieve these targets, the Chinese Government will encourage professional sports events, improve sports clubs, develop stadium facilities and training agencies, as well as promote mass sports such as soccer, basketball and volleyball.

Although these measures and policies will take time to work their way through all sectors of the society, the outlook is never clearer for the sports industry although headwinds and challenges remain.

For the Group, the first sign of turnaround came in the 2014 Winter Trade Fair which was held in mid-April. Orders at this fair grew for the first time in two years, albeit from a lower base in the previous year. In a sense this was not surprising as same store statistics in the last quarter of 2013 suggested a cautious move into positive territory and retailers' confidence began to rebuild in the ensuing months. It echoed a broader trend in the industry when leading peers also reported a similar situation.

We have now seen several quarters of positive same store sales growth which, in turn, have translated into stronger orders for future deliveries in 2015. At the same time, less discount were given at retail level as in-store inventory levels ease towards a more manageable level. Whilst there is danger that the industry may relapse into an over-supply situation if companies step up the production, it is hoped that they have learnt the lessons from the past.

During the recent down-turn years which broadly speaking were the two years of 2012 and 2013, many retailers found the going tough. Faced with rising staff costs, higher rentals and heavy discounting, many stores became unprofitable and had to be closed. Further, the unquestionable size of the domestic market, especially in apparel, attracted many more players, leading to increased competition. Consumers' tastes for casual or sports-inspired clothing, a key segment for many sportswear brands, began to broaden. Coincidentally, this period also signaled the rise of mobile sales through the internet, as smartphones became dominant.

In the years ahead, the sportswear industry will continue to consolidate as bigger and stronger players, with better resources to branding and product development, will gain market share whilst the smaller brands retreat in the face of labour shortages and poor productivity. Internet sales, already the fastest growing segment of all sales channels, will continue to make strong progress although the traditional specialized stores will remain important.

BUSINESS REVIEW

Business Model

The Group continues to base its business on the franchised distributorship model, in which sales are solely to authorised companies which have been granted exclusivity for a specific territory. Under this model, the Group sells products exclusively to its distributors at a uniform discount to the suggested retail price. The distributors in turn sell these products to their franchised retailers at a structured marked-up which has been approved by the Company. The authorized retailers then sell the Group's products to consumers in their retail outlets. As of 31 December 2014, the Group had 31 distributors who had direct charge of about 3,141 retailers who in turn operate about 7,319 stores.

The distributorship contracts are generally for a fixed period of one year, renewable annually and contain the following principal terms:

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

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

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

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

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

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

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

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

(ix) Returned goods arrangements – Our distributors will only be able to return the goods we sold to them if there are quality issues. There were no returned goods for year ended 31 December 2014;

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

There is also an indemnity clause which states that distributors who breach any of the above terms must return all the relevant profit to the Group, with an additional fine of RMB1 million.

There has no recent case of such a penalty nor has there been a significant change in the distributors other than periodic restructuring for tax or financial reasons.

The distribution agreements entered into with our distributors do not contain any obsolete stock arrangement, such as returns or buy-backs with the help of the distributors. Authorized retailers with excess inventory may attempt to sell such excess inventory through regular and special end-of-season sales.

Our sales return policy only allows the distributors to return products to the Group due to material quality defects. Distributors should inspect the products and, where defective products are found, may report the alleged defect to the Group. Such reports must be made within three days of delivery. The Group is not responsible for defects caused by improper storage by the distributors and improper use by consumers. For the year ended 31 December 2014, the Group did not receive any notifications with respect to quality defects or any sales return from customers.

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

During the year under review, total sales to our distributors amounted to approximately RMB3,906.3 million and no goods were returned from our distributors.

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

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

Principal risks and uncertainties

In addition to the industry risks and uncertainties faced by the Group as disclosed in "Management Discussion and Analysis – Industry review" on pages 12 of this report, the Group also faces other principal risks and uncertainties in its business.

Under the distributorship mode, the Group has limited control over the authorized retailers to ensure their compliance with the policies, including operational requirements, exclusivity, customer service, store image and pricing. Non-compliance of the Group's policies may cause unfair competition among the authorized retailers, erosion of goodwill, a decrease in market value of the Group's products and unfavorable public perception about the quality of the Group's products. This may in turn result in a material adverse effect on the business, financial condition, results of operations and prospects of the Group. However, during the year under review, the Group was not aware of any material non-compliance of the Group's policies by the authorized retailers which resulted in a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Further, the Group's business is subject to laws and regulations applicable to foreign investment in the PRC as well as laws and regulations applicable to foreign-invested enterprises. These laws and regulations are subject to change and their interpretation and enforcement involve uncertainties that could limit the legal protections available to the Group. In addition, the PRC legal system is based in part on government policies that may have retrospective effect, which could cause uncertainties to the Group's business as it will not be possible to predict the effect of future developments in the PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. If any of the Group's past operations are deemed to be non-compliant with PRC law, the Group may be subject to penalties and the Group's business and operations may be adversely affected.

During the year under review, the Group has not experienced any material adverse effect on the business, financial condition, results of operations and prospects of the Group due to the change in laws and regulations in the PRC.

Product Groups

The products of the *361°* Group are under the brands of *361°* Sport, *361°* Kids and Innofashion.

361° Sport focuses on performance apparel and footwear for popular sports such as running and basketball and as well cross-training and outdoor.

361° Kids is an independent business unit that produces apparel and footwear products for children between the ages of 5 and 12. Attractively designed and brightly coloured, the products feature sports themes and often offer products designed under third-party licenses.

Innofashion is a sub-brand catering for lines that are dedicated to those youth seeking a more urban and individual life-style.

Sales Network

In the course of 2014, authorized retailers opened a total of 1,384 stores and closed a further 1,364, bringing the total network to 7,319 at the end of December, divided into the following manner:

	As at 31 December 2014		As at 31 December 2013	
	Number of *361°* authorized retail outlets	**% of total *361°* authorized retail outlets**	Number of *361°* authorized retail outlets	% of total *361°* authorized retail outlets
Eastern region[1]	**1,777**	**24.3**	1,821	25.0
Southern region[2]	**1,181**	**16.1**	1,153	15.8
Western region[3]	**1,474**	**20.1**	1,491	20.4
Northern region[4]	**2,887**	**39.5**	2,834	38.8
Total	**7,319**	**100**	7,299	100

Notes:

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

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

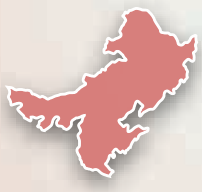
(3) Western region comprises Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.

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

The bulk of the stores, approximately 70%, are in Tier-3 or smaller cities.

Approximately 80% of the stores are at street level, many of which open into pedestrian areas, which are generally the most popular shopping districts in the smaller cities in China. During the course of the last two years, the Group has encouraged many of these better-performing stores to convert into composite "3-in-1" stores, where there is sufficient space, or into "2-in-1" for the smaller outlets. These composite stores, in addition to carrying the main *361°* Sport product lines, also offer *361°* Kids, and where possible, the Innofashion range.

In the last three years, the Group has adopted a comprehensive approach to ensure uniformity in all its stores and enhance the shopping experience. Retailers who have stores which qualify under a strict criteria will have its racking shelves specially tailored and fitted at a cost to the Group. Since its introduction, the Group has spent RMB757.0 million on this display rack subsidy program, including RMB214.1 million in the year under review. This program has been successful to ensure that the better retailers remain in the business during those difficult years and after several adjustments to the structural pricing scheme, they are now able to benefit again from a profitable business.



Northern Region

2,887

Number of 361°
authorized retail outlets

Western Region

1,474

Number of 361°
authorized retail outlets

Southern Region

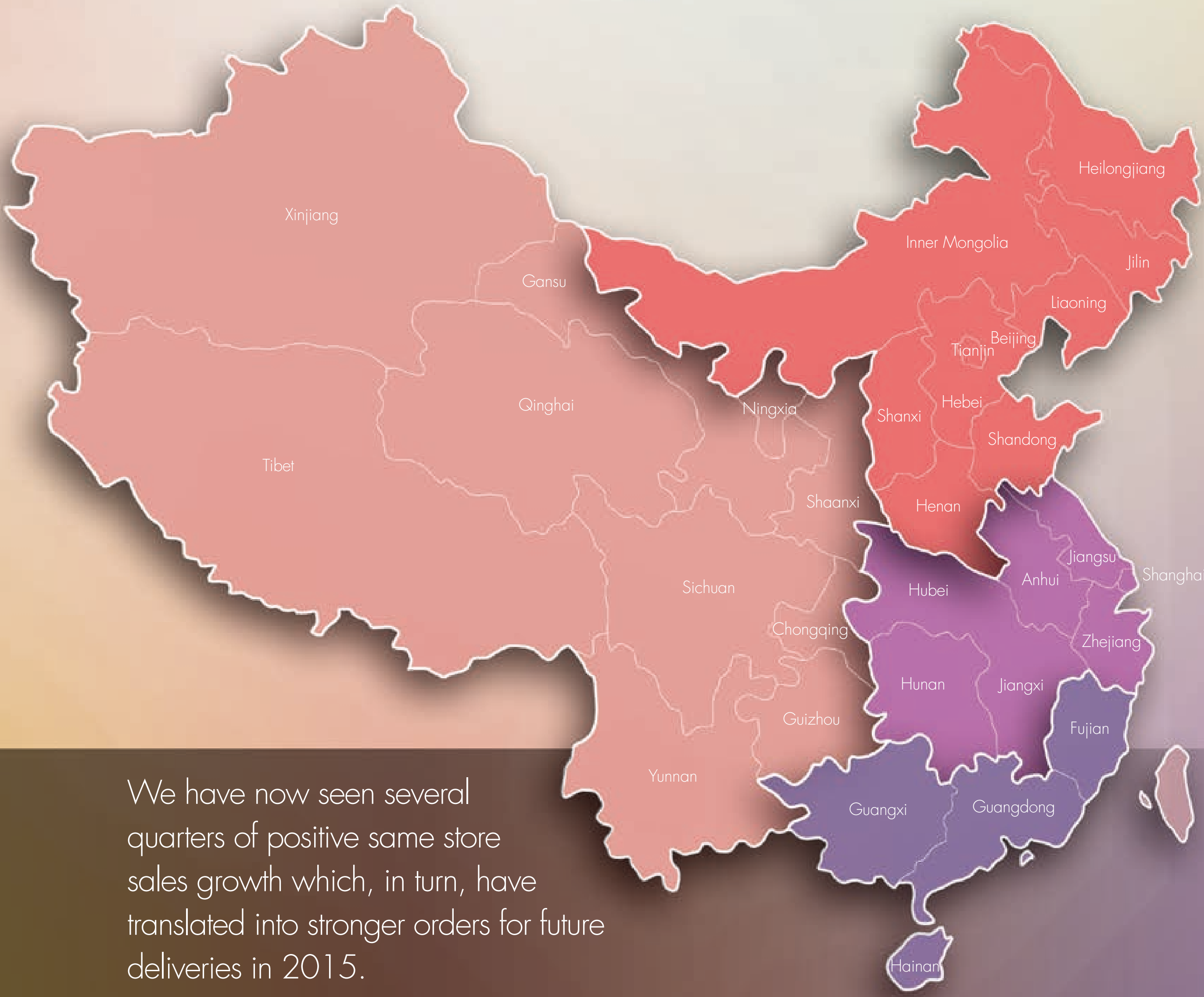
1,181

Number of 361°
authorized retail outlets

Eastern Region

1,777

Number of 361°
authorized retail outlets



We have now seen several quarters of positive same store sales growth which, in turn, have translated into stronger orders for future deliveries in 2015.

Brand Promotion and Marketing

As a general rule, the Group allocates about 10% of its revenue for brand promotion through sponsorship programs but actual disbursements often depend on the right opportunity. For accounting purposes, the costs of sponsorships are amortized over the relevant period covered by the agreement. The Group does not spend a significant portion of its budget on advertising through the television or other media forms.

The *361°* brand which was conceptualized in 2003 seeks to underline that the brand represents excellence, being one degree beyond the perfect round circle of 360 degrees. That extra degree represents the additional effort the brand needs to exert in going beyond, having arrived at the market belatedly by as much as 10 years as the leading domestic peers. That additional degree is embodied in passion, and hence the official slogan in Chinese is "多一度熱愛" which literally means "One Extra Degree of Passion."

As a young brand, the Group has to initially create brand awareness, hence after laying the ground work of store outlets, it took the opportunity of a spate of international sporting events held in China to sponsor such major sporting events like the Asian Games in Guangzhou in 2010, the Summer Universiade in Shenzhen in 2011 and the 2nd Youth Olympic Games in Nanjing in 2014. As the official sportswear sponsor, it is the task of *361°* to design and fit all the apparel requirements of the organizing committee, including all officials, referees and umpires, as well as the volunteers of such events. This invariably brings a high degree of visibility, both in the actual stadiums as well as over the TV and other media, enabling the brand to be positioned and recognized as a strong Chinese brand encompassing all types of sports.

The brand is now firmly entrenched as one of the top 5 domestic sportswear brands in China and has recently taken to sponsor several key athletes to bring its brand message closer to the personal level. In basketball, being one of the most popular sports in China, the Group has sponsored two notable names: Stephon Marbury, who plays for the Beijing Ducks in the CBA Championships and helped the team to be winners in both the 2012/3 and 2013/4 seasons; and Kevin Love, a three-time NBA All-Star, who now plays for Cleveland Cavaliers.

In addition, Sun Yang, the 2012 London Olympics double gold medallist, and arguably the most famous of the active Chinese athletes today, has been in the books of *361°* since 2011. Young, over powering and unflinching in his efforts, he embodies some of the key values of the *361°* brand.

361° has tailored individual apparel and footwear lines around these individual athletes and is in the process of implementing a strategy which will have their unique products available on sale only through the Company's official web-site.

For completeness, the table below shows the rest of the active sponsorships in 2014, the costs of which are, in accordance with the accounting policies of the Group, amortized over the relevant periods.

Sponsorship of professional sports teams

China National Cycling Team
China National Handball Team
China National Softball Team
China National Hockey Team
China National Swimming Team
Swedish National Curling Team

As a Chinese brand, it has been the honour to be associated with the various national teams in different sports. The feedback gained from equipping these athletes has helped to improve product quality and design.

Sponsorship of professional sports events

Time	Event	Capacity
2010-2015	*361°* Men/Women's National Volleyball Tournament series	Sole Title Sponsor
2013-2014	World Women's Curling Championship	Designated Apparel Sponsor
2013-2014	17th Asian Games Incheon 2014	Prestige Partner
2013-2016	World Wushu Championships	Prestige Partner
	World Junior Wushu Championships	Prestige Partner
2010-2014	Nanjing 2014 Youth Olympics	Official Sports Apparel Sponsor
2014-2018	Jinmen Marathon	Designated Sportswear Sponsor
2014-2016	Rio 2016 Olympic and Paralympic Games	Official Supporter

Of the above, one sponsorship requires a special mention. In 2014, the *361°* Group signed an agreement with the Rio Organizing Committee, to be a 2nd Tier Supplier to the Rio 2016 Olympic and Paralympic Games. In line with the Group's decision to enter into overseas markets, it is believed that this sponsorship as a form of promoting brand recognition will be the most effective since it appeals to wide audiences over a fairly concentrated period.

The Group also continued the very successful "One cares one" (“買一善一”) charity campaign in which for every pair of shoes purchased, the Group donated another pair to a designated student. The program started in 2013 and received very positive response from the market. As at 31 December 2014, 64,395 students from the poorer counties in Guizhou and Sichuan received the donated footwear under this program.

Production

The Group maintains a flexible policy as far as sourcing its products are concerned. It owns two factories in Jinjiang (Jiangtou and Wuli) where there is sufficient capacity to produce up to 70% of the Group's requirements for footwear and as much as 20% of that for apparel.

The Group also maintains a select circle of third party original equipment manufacturers "OEMs" for both footwear and apparel and orders are placed depending on price and delivery schedules.

The Jiangtou factory was acquired from its previous owners in 2009 and consists of 14 production lines housed in a five-storey block. These old facilities are dedicated entirely to the production of footwear and have a fairly stable and established labour force, who find the location, being within the city rather convenient.

The Wuli Industrial Park is located with the Jinjiang New Economic Zone about 20 kilometres from the city centre. These facilities were constructed in stages from 2007 and finally completed in 2010. The Wuli complex house a range of production facilities for both footwear and apparel and also include such composite facilities like exhibition halls where the trade fairs are normally held, a central warehouse and comprehensive recreational and sporting facilities for the approximately 4,300 production workers and staff who live in the adjacent dormitories.

The *361°* Group firmly believes in the welfare of its production workers, an increasingly important factor considering the fast dwindling availability of such a labour pool. By its very nature, manufacturing of both footwear and to a lesser degree, apparel are highly labour-intensive and a strong staff retention rate after each Chinese New Year period helps to stabilize skills.

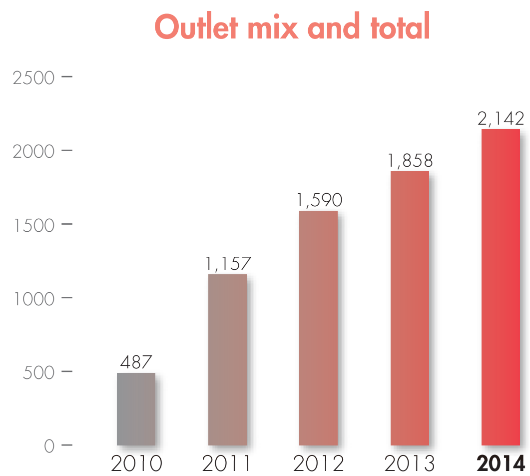
Production workers are paid a basic wage, depending on their grades but also incentivized through a productivity scheme which measures their individual output.

361° Kids

In 2010, the Group decided to initiate a new business unit focusing solely on children's wear. Targeted at those between the ages of 5 and 12, this business unit is a separate bottom-line driven entity and takes its own charge for all phases from design to third party manufacture. It also conducts its own trade fairs twice a year.

The only leverage on the Group's existing structure is on the logo and the alliance with the authorized distributors.

Following years of explosive growth, *361°* Kids grew steadily in 2014. As of 31 December 2014, this business unit had a total of 2,142 units, as illustrated below:



	As at 31 December 2014		As at 31 December 2013	
	Number of *361°* Kids authorized retail outlets	**% of total *361°* Kids authorized retail outlets**	Number of *361°* Kids authorized retail outlets	% of total *361°* Kids authorized retail outlets
Eastern region[(1)]	**623**	**29.1**	513	27.6
Southern region[(2)]	**447**	**20.8**	325	17.5
Western region[(3)]	**400**	**18.7**	377	20.3
Northern region[(4)]	**672**	**31.4**	643	34.6
Total	**2,142**	**100**	1,858	100

Notes:

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

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

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

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

The future of this segment of the industry remains particularly bright. There are very few major players at the national level and following the relaxation of the One-Child policy in 2013, it is anticipated that demand will continue to remain strong.

In September 2014, the Company entered into a strategic partnership agreement with Baidu Inc., China's leading search engine giant, to jointly develop smart shoes that incorporate tracking devices and allow a host of applications. The first four entry levels of these smart shoes will hit the market in March 2015. If this venture is successful, there is every possibility that the co-operation will extend to the use of other wearable products.

In order to increase brand awareness and strengthen the brand image of *361°* Kids, the Group has appointed three young ambassadors, namely Bai Er Nuo（拜爾娜）, Jasmyn Aisin Gioro（愛新覺羅.媚）and Zhou Zhang Chi（周張弛）. These young stars are extremely popular with children in China and have their own following.

The Group also continued to sponsor a highly successful children's singing contest programme "Let's Sing Kids" ("中國新聲代"), on Hunan Broadcasting System – Aniworld Satellite TV（湖南廣播電視台 – 金鷹卡通衛視）, a leading TV channel. The Group also licensed with Walt Disney Company (Shanghai) Ltd to design, produce and sell children's footwear, apparel and accessories that bore such characters from the Disney Cuties and Marvel Kawaii, all of which are highly popular at a time when Hollywood studios are making significant inroads into the Chinese cinema market.

Overseas Business

During the year, the Group decided to explore opportunities in overseas markets in order to generate new earning streams in the future. This initiative will obviously take time to bear fruit and will require substantial investment in the initial years. However, the Group believes its products are competitive enough in certain markets and believes this investment will pay off over the long run.

The Overseas Business unit is headed by a group of seasoned industry professionals, led by a Taiwanese general manager who has over 30 years of experience. As part of its soft launch in Brazil and the US, the Group has showcased its new collection specially developed for the international market and recently also extended to continental Europe through Germany.

The international collection for the Spring/Summer Season in 2015 has a tactical focus on its running shoes, which are highly specialized with models such as Chromoso or Sensation both of which have been thoroughly tested in the US.

361° participated for the first time at the ISPO Sports Fair in Munich in February 2015, where the Group introduced itself at the Runners' world symposium, providing exclusive insights into its initial collection, which comprise running, training, trail and lifestyle shoes as well as sports clothing of about 140 styles for both sexes.

E-Commerce

In 2014, e-commerce in China reached a market size of RMB12.3 trillion, which had increased by 21% from the previous year and for the first time, represented over 10% of all retail sales. Mobile computing was the fastest growing segment and is expected to grow at a compound rate of 48% in the years ahead.

As consumers change their buying habits, it is important that brand companies fall in line and meet their expectations. Unfortunately, in the last few years, the sportswear industry has been pre-occupied with the clearance of old stocks in the market place, making it difficult for brand companies to launch new online products that could aggravate the situation.

As the inventory issue subsides by 2015, there will emerge a clearer strategy for e-commerce. The Group has authorized an e-commerce company in Quanzhou to co-ordinate its web sales strategies. Currently, *361°* has a presence in popular sites such as JD.com, T.mall and okbuy.com and the on-line traffic has been encouraging.

The Group intends to develop its web-only products in future which will be paraded alongside some entry level models of existing product lines for the e-commerce market. This will be supplemented by flash sales and promotional campaigns from time to time. It has been estimated that web sales in China currently form about 10% of all transactions although continuing to grow rapidly whereas the specialized stores still account for over half of all sales. There is always the threat of fake goods on offer by unscrupulous vendors and a cautious policy as advocated by *361°* is believed to be the best approach.

Joint-Ventures

One Way

In October 2013, the Group entered into a joint-venture agreement with One Way Sport Oy ("One Way"), a Finnish brand specializing in Nordic and Winter sports, to form a joint-venture ("JV") company, One Way International Enterprise Limited in which the Group has a 70% equity interest. This JV company owns the rights of the One Way brand for Greater China, which includes the Special Administrative Regions of Hong Kong and Macao, as well as the Republic of Taiwan.

One Way is a Finnish Sports brand that offers high performance products for cycling, running and Nordic sports. Its products include carbon cross country skis, boots, carbon poles, ski roller, sports eyewear, high end textiles and footwear for running, winter and outdoor activities. Headquartered in Vantaa, Finland, it has a significant market presence in the Scandinavian countries, Russia and Central Europe. One Way is a major sponsor and official supplier of the 2015 FIS Nordic World Ski Championships in Falun, Sweden from 18 February 2015 to 1 March 2015. These Championships bring together children and young people, the arts, business and trade and all fans of skiing.

In 2014, One Way signed an exclusive cooperation agreement with the Chinese Ski Association, under which it will be the sole sponsor of the Chinese biathlon, cross-country skiing and ski jumping national teams. It will also supply leading professional equipment, including the specialized gear used in all competitions, group and daily trainings. It is estimated that there are about 5 million skiers in China today.

With Beijing being only one of two candidates bidding for the 2022 Winter Olympics, the Group believes that winter sports will quickly gain popularity in China and it has been voiced that a winning bid would inspire more than 300 million to take up such activities. Already, one of the 2008 Olympic venues has been renovated into an outdoor winter sports destination and it attracts good crowds during the week-ends and hosts several international skiing and skating competitions.

In the year under review, the joint-venture company has established a presence in four major cities: Wuhan, Chongqing, Chengdu and Jinan and will gradually extend its outreach to the other parts of China. Business prospects should continue to strengthen over the next few years.

Manufacturing JV

In 2010, the Group established a joint-venture with a Taiwanese specialist which had over 30 years of experience for the manufacturing of soles. This joint-venture, in which the Group has a 51% interest, is also based in Jinjiang City on a leased piece of land covering over 65,000 sq.metres. There are altogether eight production lines, operating at close to capacity, turning out products not just for in-house consumption by *361°* but also supplying to a leading Taiwanese multinational OEM as well as to ECCO, a Danish footwear manufacturer.

STRENGTH

Continued investment in branding and product will ensure that it will strengthen its position at the top end of the domestic brands.

FINANCIAL REVIEW

Turnover

During the year under review, the Group recorded a growth of 9.0% on turnover of RMB3,906.3 million year-on-year. Although orders from spring/summer and autumn 2014 trade fairs recorded a 8% and 7% decrease, respectively, this could be fully compensated by the increase of i) the 2014's winter products, order book increased by 8% year-on-year; and ii) delayed deliveries of the 2013's winter products in the beginning of 2014 because of a late coming winter in 2013.

Sales momentum continued in retail stores which encouraged both distributors and retailers to increase the amount of orders. The growth trend explicitly reflected by the gradual positive order book responses from the three trade fairs held in 2014, +8%, +11% and +16% for the 2014's winter products, 2015's spring/summer and autumn products, respectively.

Turnover of the business of footwear grew 2.2% whereas apparel and accessories increased by 11.3% and 36.6%, respectively. Such changes were due to i) the adjustment of discount from 60% to 65% to distributors starting from the 2014's products ordered at trade fairs; ii) a bigger volume of 2013's winter apparel and accessories were delivered in the first half of the year which pushed the turnover and the average wholesale selling price ("the AWP") up year-on-year. As the seasonality factor in footwear was less significant than in apparel, the AWP of footwear recorded a downturn by 7.8% to RMB86.4, while that of apparel and accessories increased by 8.2% and 26.4% to RMB73.5 and RMB15.8, respectively.

Sales volume of footwear, apparel and accessories all recorded an increase of 10.9%, 2.8% and 8.4% to 18.0 million pairs, 23.9 million pieces and 5.7 million pieces, respectively. The percentage increase in apparel being less than footwear was mainly due to a higher competition in the apparel retail market and the fact that distributors were cautious to make order.

The revenue of *361°* Kids for the year ended 31 December 2014 maintained its momentum and grew by 20.7% to RMB507.5 million, and accounted for 13.0% of the Group's turnover. The increase in revenue reflected the established customer base for the kids wear business, a segment that has continued to demonstrate its potential for further growth.

The Group continued to diversify its business by tapping into the growth potential of other business. Starting from 2014, the Group ended the distributorship of overseas business with a distributor and started to run overseas sales by itself. It is headed by a Taiwanese general manger with his independent unit who directly report to the president of the Group. With the existing point of sales in the various countries of Middle East, South America and South East Asia, the unit newly started the business in Brazil and have further establishment in United States and Europe. During the year under review, the overseas business recorded a total turnover of RMB39.8 million which contributed about 1.0% of the total turnover of the Group.

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

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2014 % of Turnover	For the year ended 31 December 2013 RMB'000	For the year ended 31 December 2013 % of Turnover	Changes (%)
By Products					
Turnover					
Adults					
Footwear	**1,554,280**	**39.8**	1,521,032	42.5	+2.2
Apparel	**1,753,929**	**44.9**	1,575,784	44.0	+11.3
Accessories	**90,574**	**2.3**	66,286	1.8	+36.6
Kids	**507,503**	**13.0**	420,375	11.7	+20.7
Total	**3,906,286**	**100**	3,583,477	100	+9.0

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

	For the year ended 31 December 2014 Total units sold '000	For the year ended 31 December 2014 Average wholesale selling price[1] RMB	For the year ended 31 December 2013 Total units sold '000	For the year ended 31 December 2013 Average wholesale selling price[1] RMB	Changes Units sold (%)	Changes Average wholesale selling price (%)
By Volume and AWP						
Adults						
Footwear (pairs)	**17,996**	**86.4**	16,226	93.7	+10.9	-7.8
Apparel (pieces)	**23,876**	**73.5**	23,213	67.9	+2.9	+8.2
Accessories (pieces/pairs)	**5,749**	**15.8**	5,304	12.5	+8.4	+26.4
Kids	**7,931**	**64.0**	7,114	59.1	+11.5	+8.3

Note:

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

Cost of Sales

During the year under review, the cost of sales for the Group increased by 6.6% to RMB2,309.5 million, and accounted for 59.1% of the Group's turnover representing a slight decrease of 1.4 percentage point year-on-year.

Although the Group has streamlined the numbers of SKUs at each trade fair, the innovation on new models and design of footwear necessitated high quality and functionality materials, thus increasing both the material cost and overheads, some of which cannot be immediately transferred to consumers.

On the other hand, the Group was still able to obtain favourable pricing from the OEMs which lowered per unit cost of outsourced footwear and apparel as well as the self-produced apparel business of the Group became mature. As a result, the total percentage increase in cost was much less than the percentage increases in AWP. This helped to reduce the total cost of sales from 60.5% to 59.1%.

The following table sets forth a breakdown of cost of sales during the year under review:

	For the year ended 31 December 2014		For the year ended 31 December 2013	
	RMB'000	**% of total costs of sales**	RMB'000	% of total costs of sales
Footwear & Apparel (Internal Production)				
Raw materials	**568,555**	**24.6**	408,465	18.9
Labour	**142,699**	**6.2**	112,001	5.2
Overheads	**307,847**	**13.3**	174,324	8.0
	1,019,101	**44.1**	694,790	32.1
Outsourced Products				
Footwear	**423,246**	**18.3**	504,168	23.3
Apparel	**808,284**	**35.0**	925,567	42.7
Accessories	**58,859**	**2.6**	41,853	1.9
	1,290,389	**55.9**	1,471,588	67.9
Cost of sales	**2,309,490**	**100**	2,166,378	100

Gross profit and gross profit margin

Gross profit was RMB1,596.8 million for 2014 and gross profit margin was 40.9%, up by 1.4 percentage points when compared to that for 2013.

Starting from the 2014 spring/summer trade fair held in August of 2013, the Group increased the discounts offered to its distributors from 60% to 65%. Although there was adjustment on discount, the Group was able to maintain a reasonable gross profit margin through the reduction of cost by i) successfully negotiating bargain prices with OEMs and ii) the benefit from the mature in-house apparel production.

The gross profit margins of the footwear and accessories dropped to 38.6% and 38.7%, respectively whereas apparel and kids' wear business grew to 43.0% and 40.7%, respectively.

All in all, a higher turnover on apparel in the year outweighed the decrease of gross profit margin from footwear, thus enabling the Group to maintain the gross profit margin for the year under review.

The following tables set forth a breakdown of the gross profit and gross profit margin during the financial year under review:

	For the year ended 31 December 2014		For the year ended 31 December 2013		
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %	Changes percentage point
Adults					
Footwear	**600,504**	**38.6**	623,654	41.0	-2.4
Apparel	**754,648**	**43.0**	600,763	38.1	+4.9
Accessories	**35,014**	**38.7**	27,967	42.2	-3.5
Kids	**206,630**	**40.7**	164,715	39.2	+1.5
Total	**1,596,796**	**40.9**	1,417,099	39.5	+1.4

Other revenue

Other revenue of RMB112.9 million (2013: RMB83.8 million) was mainly composed of i) accrued interest income of RMB77.6 million (2013: RMB53.2 million) earned from both the bank deposits in Hong Kong and the PRC; ii) the government subsidies of RMB23.4 million (2013: 6.9 million), the increase being due to the receipt of an one off subsidy, RMB14.7 million, in relation to the property and land use right tax paid in previous years; and iii) the other revenue of RMB11.9 million (2013: RMB23.7 million) earned from selling of soles to third parties by a manufacturing joint venture.

Other net loss

The other net loss was mainly attributable to the exchange difference incurred by the subsidiaries with functional currencies other than Renminbi in the year. The increase was mainly due to the depreciation of Renminbi as well as the set-up of overseas offices, payment of dividend and the fact that interest payments were denominated in other currencies.

Selling and distribution expenses

During the year under review, with the growth of turnover by 9.0%, selling and distribution expenses increased by 5.5% to RMB769.2 million, primarily as a result of an increase in rack subsidies and advertising and promotional expenses by 25.6% and 8.3%, respectively.

Rack subsidies increased from RMB170.4 million to RMB214.1 million year-on-year and accounted for 5.5% of the total turnover. These subsidies were paid in the form of fixtures and fittings to 2,125 retail stores. They were used for products display at retail outlets and all the orders were made directly from the Group to suppliers which in turn deliver them to retail outlets directly. The Group believes that the direct assistance to retailers can upgrade their retail stores and improve their competitive strength in market. Such program will still continue for the forthcoming year.

Follow to the growth on turnover, advertising and promotional expenses increased by 8.3% and accounted for approximately 11.2% (2013: 11.4%) of the total turnover. During the year under review, the Group entered into a license agreement with Walt Disney Company (Shanghai) Ltd and had become an official supporter for the 2016 Summer Olympic and Paralympic Games in Rio de Janeiro, Brazil, as well as signed a spokesman contract with a popular Taiwanese male singer Jam Hsiao. Together with the sponsorships for the two important events held in the year, namely the Nanjing 2014 Youth Olympic Games and the 17th Asian Games Incheon, the Group believes that these endeavours would gain an extensive exposure to the public and be able to maintain its brand image.

Administrative expenses

Administrative expenses decreased by 52.1% to RMB203.3 million for the year under review and represented about 5.2% of the Group's turnover. The decrease was mainly due to the fact that no impairment loss had been recognized during the year as compared to a RMB152.0 million impairment loss recognized year-on-year. On the contrary, the Group has confidently written back approximately RMB111.4 million provision of impairment losses which accounted for about 58.1% of the provision made in previous years. The Group has been staying in touch with all the distributors and believe that account receivables could further improve in the forthcoming year.

Research and development expenses were RMB95.7 million, or 2.4% (2013: 2.4%) of the turnover for the year under review. The Group believes that the expense is necessary for enhancing the Group's competitiveness.

Administrative salaries had increased by 54.0% to RMB45.5 million. The increase was mainly caused by the additions of staff salaries from the newly established overseas business.

Finance Costs

During the year under review, financing costs increased to RMB92.2 million, including mainly the RMB90.9 million for the relevant interest and cost in relation to the convertible bonds and senior unsecured notes amortized over the year. The balance of RMB0.9 million and RMB0.4 million were in relation to the banking facilities for a manufacturing joint venture for production of soles during the year and a mortgage bank loan of RMB15.3 million as at 31 December 2014 for financing the purchase of an office in Hong Kong.

In the year, the Group started to repurchase convertible bonds and eventually fully redeemed through a tender offer on 4 December 2014. The net change in fair value of derivatives embedded to convertible bonds for the year, the realization for the amount of repurchase, the cost and interest were fully recognized and accrued for the year. The finance cost for the convertible bonds was RMB53.3 million which comprised i) the interest of 4.5% per annum on the convertible bonds amounting to RMB27.4 million for the period ended 4 December 2014 and ii) the balance of RMB25.9 million, which was the adjustment for the amortization cost of accrued interest and cost incurred for the issuance of convertible bonds.

On 12 September 2014, the Group issued RMB1,500,000,000 7.5% senior unsecured notes due 2017. The finance cost accrued for the year was RMB37.5 million in which RMB33.9 million was in relation to the accrued interest for the year and RMB3.6 million was the relevant cost incurred for the issuance of the senior unsecured notes amortised over the tenor of three years.

Income tax expenses

During the year under review, income tax expenses of the Group amounted to RMB202.3 million (2013:RMB100.2 million) and the effective tax rate for the year was 36.4% (2013: 36.7%). The percentage had excluded the effect of the profit before taxation from the net change in fair value of derivatives embedded in convertible bonds.

The Group's four main PRC-based operating subsidiaries are all subject to standard corporate income rate of 25% whereas all the subsidiaries in Hong Kong are not subjected to any taxation because no operating income has been generated in the city. As the interest of the convertible bonds and the senior unsecured notes newly issued were both paid by the Company in Hong Kong, the expenses were not allowed to be deducted from the taxable income of the PRC subsidiaries, thus affected the amount of tax paid and the effective tax rate at the Group level.

Profit attributable to equity shareholders

Profit attributable to equity shareholders for the year 2014 increased by 88.2% to RMB397.6 million (2013: RMB211.3 million). This was mainly attributable to the increase in turnover and gross profit margin. Earnings per share for 2014 increased by 88.2% to RMB19.2 cents.

DIVIDEND FOR THE YEAR

The Board recommended to declare a final dividend of RMB3.0 cents (equivalent to HK3.7 cents) per share, subject to approval by the shareholders at the forthcoming annual general meeting. Including the interim dividend of RMB5.0 cents (equivalent to HK6.2 cents) per share for the six months ended 30 June 2014 already paid, total payout for the year amounted to RMB8.0 cents (equivalent to HK9.9 cents) per share or RMB165.4 million in aggregate, representing 41.6% of the profit attributable to equity shareholders of the Group for the year ended 31 December 2014. It is expected that the final dividend, if approved by shareholders at the forthcoming annual general meeting of the Company, will be paid to shareholders on or about 13 May 2015.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("the AGM") of the Company will be held on Thursday, 23 April 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 20 April 2015 to Thursday, 23 April 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 17 April 2015.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is Monday, 4 May 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 29 April 2015 to Monday, 4 May 2015, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 28 April 2015.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2014, net cash inflow from operating activities of the Group amounted to RMB911.2 million. As at 31 December 2014, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months, amounted to RMB2,130.2 million, representing a net decrease of RMB367.3 million as compared to the position as at 31 December 2013. The net decrease was attributable to the following items:

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net cash generated from operating activities	**911,184**	323,156
Net capital expenditure	**(135,046)**	(43,965)
Dividends paid	**(103,380)**	(227,436)
(Placement)/withdrawal of pledged deposit	**(137,995)**	57,830
Repayment of bank loans	**(587)**	(26,417)
Payment for repurchase of convertible bonds	**(944,413)**	–
Proceeds from issuance of senior unsecured notes	**1,463,889**	–
(Placement)/withdrawal of deposits (with maturity over three months)	**(1,478,253)**	261,901
Interest received	**65,487**	52,996
Other net cash outflow	**(8,166)**	(8,976)
Net (decrease)/increase in cash and cash equivalents	**(367,280)**	389,089

The positive net cash generated from operating activities amounted of RMB911.2 million for the year ended 2014 was mainly from the operating profit for the year under review and the net increase in the working capital from the decrease in amount of trade and bills receivable as well as increase in the trade and bills payable, other payables and accruals compared with a year ago.

During the year under review, certain capital expenditure amounted RMB135.0 million was incurred mostly for the new headquarter in Xiamen and the administrative building in Wuli Industrial Park, Jinjiang. The Group fully repurchased and redeemed the convertible bonds in the principal amount of US$150 million by the use of approximately RMB944.4 million which was partly funded by the net proceeds of RMB1,463.9 million from the issuance of RMB1.5 billion 7.5% senior unsecured notes due 2017 in September 2014. The additions of RMB138.0 million pledged deposit was mainly for the issuance of bills payable to suppliers and the increase of RMB1,478.3 million banks deposits with maturity of more than 3 months was mostly from the net proceeds of the senior unsecured notes which substantially reduced the amount of cash and cash equivalent as at 31 December 2014.

The Group's gearing ratio increased to 17.6% as at 31 December 2014 (2013:11.0%) which was mainly due to the issuance of RMB1.5 billion 7.5% senior unsecured notes in September 2014.

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

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group also pays declared dividends in Hong Kong dollars. During the year ended 31 December 2014, the Group did not carry out any hedging activity against foreign currency risk. Any substantial exchange rate fluctuation of foreign currencies against Renminbi may have a financial impact on the Group.

PLEDGE OF ASSETS

As at 31 December 2014, a building with net book value of RMB43,471,000 (31 December 2013: RMB43,286,000) was pledged as security for a banking facility of the Group of RMB40,101,000 (31 December 2013: RMB21,047,000).

The aforesaid banking facility was used to finance the acquisition of an office unit and the trading activities of a subsidiary in Hong Kong. The office unit is for the Group's own use and not for any investment purpose.

Bills payable as at 31 December 2014 were secured by pledged bank deposits of RMB175.9 million.

WORKING CAPITAL MANAGEMENT

The average working capital cycle for the year ended 31 December 2014 was 75 days (2013: 120 days). The decrease was mainly due to the improvement from trade and bills receivable turnover days and extension of trade and bills payable turnover days. The inventory turnover days had remained stable with a slight increase by 4 days.

The average trade and bills receivable cycle was 167 days as at 31 December 2014 (2013: 205 days), which represented a decrease of 38 days. The Group has prudently written back RMB111.4 million out of RMB191.5 million impairment losses brought forward from the previous years. The amount of trade and bills receivable had reduced by 13.6% to RMB1,656.3 million year-on-year. Based on invoice dates, no debts were due over 180 days. The Group has been staying in touch with all distributors and believe there will be further improvement in the trade and bills receivables with the rebounding of sportswear industry.

The average inventory turnover cycle was 77 days for the year ended 31 December 2014 (2013: 73 days). With the increase in volume of transactions, the amount of inventories as at the 31 December 2014 had been increased by 39.3% to RMB570.1 million year-on-year. About 79.6% of the stock were finished goods and were mainly products of spring/summer of 2015. All the goods were self-produced or placed to OEMs on the orders received from distributors and retailers at the trade fairs and no extra stock were produced and kept by the Group. Also, the Group had not experienced any return or request of buy-backs of stocks from distributors ever since the establishment of this distributorship model.

For the year ended 31 December 2014, prepayments to suppliers were RMB584.1 million (2013: RMB468.8 million), representing a 24.6% increase year-on-year. The prepayments were deposits paid to suppliers for the acceptance of orders of products to be produced for the spring/summer and autumn of 2015 in connection with the two trade fairs which were held in August and December of 2014. With the increase of orders received from the two trade fairs, the amount of deposit has also been increased accordingly.

The average trade and bills payable cycle was 169 days for the year ended 31 December 2014 (2013: 158 days). The extension of 11 days was due to the fact that a higher amount of bills were used for the settlement of suppliers' payment which had allowed the Group to enjoy the 180 days credit from the bank. The bills payable as at 31 December 2014 was RMB783.8 million (2013: RMB213.5 million) which accounted for about 60.0% of the total trade and bills payable whereas it was only about 25.6% in last year. The changes were due to the introduction of some new OEMs for apparel and new credit terms obtained from existing suppliers.

CONVERTIBLE BONDS

In April 2012, the Company issued an aggregate principal amount of US$150 million 4.5% convertible bonds due 2017 ("the CBs") and listed on the Singapore Exchange Securities Trading Limited in Singapore. The CBs can be converted into the ordinary shares of the Company (the "Shares") from 14 May 2012 to 3 April 2017 and the initial conversion price was HK$3.81 and subsequently adjusted to HK$3.21 after a declaration of the interim dividend on 10 September 2014.

During the year, the Company repurchased and immediately cancelled an aggregate principal amount of US$52.4 million CBs by way of over-the-counter purchases. On 20 October 2014, the Company invited all holders of the CBs to tender their CBs for repurchase by the Company for cash. The purchase price for each US$100,000 principal amount of the tendered CBs was US$102,500 for the aggregate outstanding principal amount of US$97,600,000. The tender offer was funded by the proceeds of the issue of RMB1.5 billion 7.5% senior unsecured notes of the Company due 2017 of the Group in September 2014.

On 24 October 2014, US$86,200,000 principal amount of the CBs representing approximately 88.3% of the US$97,600,000, had been validly tendered and accepted for repurchase by the Company. Together with the accrued interest of US$350 in respect of each US$100,000 principal amount of CBs, the total consideration for each US$100,000 principal amount of CBs had been repurchased by the Company in the amount of US$102,850. The redeemed CBs had been settled and cancelled on 31 October 2014.

On 4 December 2014, pursuant to the terms and conditions of the CBs, all the remaining outstanding CBs in the principal amount of US$11,400,000 was redeemed and cancelled immediately with the total accrued and unpaid interest in the amount of US$86,925. On 5 December 2014, the CBs were delisted from the Singapore Exchange Securities Trading Limited.

The valuation of the CBs for the year was divided into two parts: i) the derivative component and ii) the liability component. As the value for both the conversion and redemption options of bondholder and issuers at the date of redemption was still higher than that at the time of issuance, it incurred a net gain in the fair value change to the Group amounting to RMB51.7 million. The net loss of RMB76.1 million from the repurchase of CBs was a realized loss derived from the consideration paid for the repurchased CBs over the carrying amount of liability and derivative components of the CBs at the time repurchased in the year.

SENIOR UNSECURED NOTES

On 1 September 2014, the directors of the Board decided to launch the RMB1.5 billion 7.5% senior unsecured notes due 2017 ("the Notes"). The net proceeds were mainly used for the finance of redemption of CBs. Despite the Group had RMB3.3 billion cash and cash equivalent on hand or deposited at banks as at 30 June 2014, these were mainly the operating cash in the PRC. In addition, remittance of fund out of the PRC is subject to exchange restrictions imposed by the PRC government. The Notes were successfully issued at 99.472% and listed on The Stock Exchange of Hong Kong Limited in Hong Kong on 12 September 2014, the proceeds were also used for the purposes of development of overseas business and general working capital.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2014, the Group employed a total of 9,345 full time employees which included management staff, technicians, salespersons and workers. For the year ended 31 December 2014, the Group's total remuneration of employees was RMB328.9 million, representing 8.4% of the Group's turnover. The Group's emolument policies, based on the performance of individual employees, are formulated to attract talent and retain quality staff. Apart from the mandatory provident fund scheme, which is operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees, the state-managed retirement pension scheme for the PRC-based employees and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. The Group believes its strength lies in the quality of its employees and has placed a great emphasis on fringe benefits.

PROSPECTS

The fundamentals of the sportswear industry have never been clearer since the Chinese State Council released its guideline, GuoFa No. 64. The Chinese Central Government is keen to steer future economic growth towards one of domestic consumption. A recent Euromonitor International report suggests that from a base of RMB140 billion in 2012, the cumulative annual growth rate of the industry will be 6% for the ensuing five years, during which period there will also be opportunity for the stronger players in the industry to gain market share as the industry continues to consolidate.

For the *361°* Group, with an estimated market share of only approximately 3%, the outlook is indeed positive and continued investment in branding and product will ensure that it will strengthen its position at the top end of the domestic brands. For the immediate FY2015, there is every optimism that it will be another strong year, given the Group's strong order book and an improving market.

Over the medium term, the Group will rise to the challenges of the industry by offering the right product portfolio at commensurate price points as well as meeting the demand of online sales.

Report of the Directors

The Directors are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2014.

BUSINESS REVIEW

General

For the review of the business of the Group, please refer to the section headed "Management Discussion and Analysis – Business review" on pages 14 to 24 of this report.

Principal risks and uncertainties facing the Group

For details of the principal risks and uncertainties faced by the Group, please refer to the section headed "Management Discussion and Analysis – Business review – Principal risks and uncertainties" on pages 15 to 16 of this report.

Post year end events

Except as disclosed in this annual report, since 31 December 2014, being the end of the financial year under review, no important event has occurred affecting the Group.

Analysis of key financial performance indicators

For details of the key financial performance indicators to the performance the Group's business, please refer to "Financial Summary" on pages 4 and 5 of this report.

Environmental policies and performance

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects.

Account of the Group's key relationships

The Group's success and ability to expand its operations depend heavily on its ability to retain and motivate qualified key personnel, such as the chairman of the Board, Mr. Ding Huihuang, and president of the Company, Mr. Ding Wuhao, for their expertise in developing business strategies, product design and development, business operations and sales and marketing. If the Group loses the services of any of these key personnel without securing adequate replacement in a timely manner, such event could limit the Group's competitiveness and the business and prospects of the Group may be material and adversely affected.

On the other hand, the Group's success in selling its products depends on its distributors, who then sell the products to the authorized retailers. Hence, the ability of the authorized retailers to sell the Group's products to customers, the relationship with their distributors and the Group's relationship with the distributors will have an impact on the profit generated by the Group. If the authorized retailers are unable to sell the Group's products to the customers, or that the relationship between the authorized retailers and the distributors or between the Group and the distributors deteriorates, the business and prospectus of the Group may be materially and adversely affected.

Registered office and principal place of business in Hong Kong

The Company is a company incorporated in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, Cayman Islands and its principal place of business in Hong Kong is at Rm 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 12 to the financial statements on pages 96 to 98 of this annual report.

Major customers and suppliers

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group respectively during the financial year is as follows:

	Percentage of the group's total	
	Sales	Purchases
The largest customer	11%	
Five largest customers in aggregate	31%	
The largest supplier		5%
Five largest suppliers in aggregate		22%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

Financial statements

The profit of the Group for the year ended 31 December 2014 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 63 to 128 of this annual report.

Transfer to reserves

Profits attributable to equity shareholders, before dividends, of RMB397,642,000 (2013: RMB211,261,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of RMB5.0 cents per share (2013: RMB4.0 cents per share) was paid on 17 September 2014. The Directors recommend, subject to the shareholders' approval at the forthcoming annual general meeting, the payment of a final dividend of RMB3.0 cents per share (2013: Nil) for the year ended 31 December 2014.

Charitable donations

Charitable donations made by the Group during the financial year amounted to RMB1,992,000 (2013: RMB8,225,000).

Fixed assets

Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

Convertible bonds

Details of the convertible bonds are set out in note 20 to the financial statements.

Senior unsecured notes

Details of the senior unsecured notes are set out in note 20 to the financial statements.

Share capital

Details of the movements in share capital of the Company during the year are set out in note 25(c) to the financial statements.

Purchases, sales or buy-backs of the Company's securities

The Company or any of its subsidiaries did not make any purchase, sale or buy-back of shares of the Company for the year ended 31 December 2014.

Details of the buy-backs in Convertible Bonds are set out on page 35 of this annual report.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Directors

The Directors during the financial year were:

Executive directors

Mr Ding Huihuang, Chairman
Mr Ding Wuhao, President
Mr Ding Huirong, Vice-president
Mr Wang Jiabi, Vice-president

Independent non-executive directors

Mr Yan Man Sing Frankie
Mr Sun Xianhong *(resigned and effective from 1 June 2014)*
Mr Tsui Yung Kwok
Dr Liao Jianwen *(appointed and effective from 1 June 2014)*

Pursuant to Article 84 of the articles of association of the Company (the "Articles"), at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

By virtue to Article 84 (1) of the Articles, Mr Ding Wuhao, Mr Yan Man Sing, Frankie and Mr Tsui Yung Kwok will retire from office by rotation at the forthcoming AGM. In addition, pursuant to Article 83 (3) of the Articles, Dr. Liao Jianwen, who was appointed by the Board as Director to fill a causal vacancy on the Board in June 2014, will hold office until the AGM, being the first general meeting after his appointment, and will retire and subject to re-election from office at the AGM. Being eligible, each of them will offer themselves for re-election.

Director's service contracts

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

As at 31 December 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register therein, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by the directors of Company (the "Model Code") contained in the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

Long and Short position in the Company

Name of Director	Long/short position	Nature of interest	Note	Number of shares (ordinary shares)	Percentage
Mr Ding Wuhao	Long	Interest in controlled corporation	(1)	377,774,000	18.27%
Mr Ding Huihuang	Long	Interest in controlled corporation	(2)	360,000,000	17.41%
Mr Ding Huirong	Long	Interest in controlled corporation	(3)	360,000,000	17.41%
Mr Wang Jiabi	Long	Interest in controlled corporation	(4)	187,500,000	9.07%

Notes:

(1) Mr Ding Wuhao is deemed to be interested in 377,774,000 shares of the Company held by Dings International Company Limited by virtue of it being controlled by Mr Ding Wuhao. He is the brother-in-law of both Mr Ding Huihuang and Mr Ding Huirong.

(2) Mr Ding Huihuang is deemed to be interested in 360,000,000 shares of the Company held by Ming Rong International Company Limited by virtue of it being controlled by Mr Ding Huihuang. He is the elder brother of Mr Ding Huirong and the brother-in-law of Mr Ding Wuhao.

(3) Mr Ding Huirong is deemed to be interested in 360,000,000 shares of the Company held by Hui Rong International Company Limited by virtue of it being controlled by Mr Ding Huirong. He is the brother of Mr Ding Huihuang and the brother-in-law of Mr Ding Wuhao.

(4) Mr Wang Jiabi is deemed to be interested in 187,500,000 shares of the Company held by Jia Wei International Co, Ltd. by virtue of it being controlled by Mr Wang Jiabi.

Apart from the foregoing, as at 31 December 2014, none of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company, or any of its holding companies, subsidiaries or other 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 Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies or subsidiaries a party to any arrangements to enable any Director and chief executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).

Share option scheme

Pre-IPO Share Option Scheme

The Company has adopted a Pre-IPO share option scheme on 10 June 2009 for the purpose of giving its employees, advisors, consultants and business partners an opportunity to have a personal stake in the Company and help to motivate them to optimise their future performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such employees, advisors, consultants and business partners who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group ("the Pre-IPO Share Option Scheme"). Options to subscribe for an aggregate of 20,380,000 shares were granted to 10 members of the senior management, 58 employees of the Group and 23 shareholders and members of senior management of the Group's distributors on 10 June 2009. The exercise price per share is HK$2.89, being a discount of 20% to the final offer price of the share under the global offering. Each grantee of options under the Pre-IPO Share Option Scheme was required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date.

No further options would be granted under the Pre-IPO Share Option Scheme on or after listing of the Company on the Stock Exchange on 30 June 2009. All options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner and, in any event, cannot be exercised for a period of twelve months from 30 June 2009:

Details of movements of the options granted under the Pre-IPO Share Option Scheme as at 31 December 2014 are as follows:

			Number of Shares issuable under the options				
Grantees	Date of grant	Exercise price per share	as at 31 December 2013	exercised during the the year	lapsed during the year	cancelled during the year	as at 31 December 2014
Senior management in aggregate	10/06/2009	2.89	5,743,000	–	5,743,000	–	–
Employees in aggregate	10/06/2009	2.89	7,147,000	–	7,147,000	–	–
Business partners in aggregate	10/06/2009	2.89	4,400,000	–	4,400,000	–	–
			17,290,000	–	17,290,000	–	–

No options granted under the Pre-IPO Share Option Scheme were exercised or cancelled during the year ended 31 December 2014. All outstanding share options granted under the Pre-IPO Share Option Scheme had expired and lapsed on 30 June 2014, being the fifth anniversary of the date of which the shares of the Company commenced trading on the Main Board of the Stock Exchange,

The vesting period of the share options granted under the Pre-IPO Share Option Scheme commenced from 30 June 2010 to 30 June 2014.

Share Option Scheme

The Company adopted a share option scheme on 10 June 2009 ("the Share Option Scheme") for the purpose of motivating eligible persons to optimise their future contributions to the Group and/or reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the total number of shares in issue at 30 June 2009, i.e. 200,000,000 shares. No options may be granted to any participant of the Share Option Scheme such that the total number of shares issued and to be issued upon exercise the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme any time during a period as determined by the board of Directors and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on before 28 days after the offer date. The exercise price of the options is determined by the board of Directors in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a share;

(b) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from 30 June 2009, after which no further options will be granted or offered.

No options have been granted under the Share Option Scheme up to 31 December 2014.

Information on the accounting policy for share options granted, the number and weighted average exercise prices of share option is provided in note 1(p)(ii) and note 23 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its holding companies or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

As at 31 December 2014, so far as is known to any director or chief executive of the company, the persons (other than the directors and the chief executive of the company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were directly or indirectly, interested in 10% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

Name of shareholders	Note	Nature of interest	Long/Short position in ordinary shares held[1]	Percentage of total issued shares
Dings International Company Limited	(2)	Beneficial owner	L 377,774,000	18.27%
Ming Rong International Company Limited	(3)	Beneficial owner	L 360,000,000	17.41%
Hui Rong International Company Limited	(4)	Beneficial owner	L 360,000,000	17.41%
Jia Wei International Co., Ltd.	(5)	Beneficial owner	L 187,500,000	9.07%
Jia Chen International Co., Ltd.	(6)	Beneficial owner	L 187,500,000	9.07%
Wang Jiachen	(6)	Interest in controlled corporation	L 187,500,000	9.07%

Notes:

1. The letter "L" indicates long position whereas the letter "S" indicates short position.

2. The entire issued share capital of Dings International Company Limited is owned by Mr Ding Wuhao, an executive director and the president of the Company. Mr Ding Wuhao is the brother-in-law of Mr Ding Huihuang and Mr Ding Huirong.

3. The entire issued share capital of Ming Rong International Company Limited is owned by Mr Ding Huihuang, an executive director and the chairman of the Company. Mr Ding Huihuang is the brother-in-law of Mr Ding Wuhao and the brother of Mr Ding Huirong.

4. The entire issued share capital of Hui Rong International Company Limited is owned by Mr Ding Huirong, an executive director. Mr Ding Huirong is the brother-in-law of Mr Ding Wuhao and the brother of Mr Ding Huihuang.

5. The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr Wang Jiabi, an executive director. Mr Wang Jiabi is the brother of Mr Wang Jiachen.

6. The entire issued share capital of Jia Chen International Co., Ltd. is owned by Mr Wang Jiachen, who is the brother of Mr Wang Jiabi. Jia Chen International Co., Ltd. is interested in 187,500,000 shares of the Company.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under Rule 8.08 of the Listing Rules.

Directors' interests in contracts

No contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

Directors' interests in competing business

As at 31 December 2014, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

Compliance with the Deed of Non-competition

Each of Mr Ding Wuhao, Dings International Company, Mr Ding Huihuang, Ming Rong International Company Limited, Mr Ding Huirong and Hui Rong International Company Limited (collectively the "Covenantors" and each a "Covenantor") confirmed that, as at 31 December 2014, he/it had complied with the terms of the deed of non-competition ("Deed of Non-competition") dated 10 June 2009 signed by each of them in favour of the Group.

To monitor the compliance of the terms of the Deed of Non-competition by the Covenantors, the independent non-executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-competition for the year ended 31 December 2014.

Bank loans

Particulars of bank loans of the Group as at 31 December 2014 are set out in note 19 to the financial statements.

Related party transactions

The related party transactions conducted during the year under review as disclosed in note 28 to the financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules.

Financial summary

A summary of the results and of the assets and liabilities of the Group is set out on pages 4 and 5 of the annual report.

Retirement schemes

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to June 2014). Contributions to the plan vest immediately.

The employees of the subsidiaries of the Company in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of the eligible employees' salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes.

The Group's total contributions to retirement schemes charged to the consolidated income statement during the year ended 31 December 2014 amounted to RMB20,608,000 (2013: RMB18,450,000).

Confirmation of independence

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

Corporate Governance Code Practices

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in the Appendix 14 of the Listing Rules during the financial year.

Directors' securities transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon the Company's enquires, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2014.

Audit Committee

The Audit Committee has reviewed with management and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2014.

Auditors

KPMG will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order and on behalf of the board of Directors

DING HUIHUANG
Chairman

Hong Kong, 10 March 2015

Corporate Governance Report

The Company has made continuous effort to ensure high standards of corporate governance. The principles of corporate governance adopted by the Company emphasizes a quality board, sound internal controls and accountability to shareholders and these are based upon an established ethical corporate culture.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 14 of the Listing Rules during the year ended 31 December 2014.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The overall management of the business of the Group is vested in the Board. Key responsibilities include formulation of the Group's overall strategies and policies, setting of performance targets, evaluation of business performance, oversight of management, include designing, implementing and maintaining internal control relevant to the preparation and the true and the fair presentation of financial statements that are free from material misstatement. The management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group.

As at 31 December 2014, the Board comprises four executive Directors and three independent non-executive Directors. Biographical details of the current Directors and the relationships between the Directors (if any) are set out in the section headed "Directors and Senior Management" of this annual report.

On 1 June 2014, one of the independent non-executive Directors, Mr. Sun Xianhong resigned from his position and the Board immediately appointed Dr. Liao Jianwen to fill the vacancy on the same day. Details of Dr. Liao Jianwen biography is set out in the section headed "Director and Senior Management" of this annual report.

Among the members of the Board, Mr. Ding Huihuang and Mr. Ding Huirong are brothers and Mr. Ding Wuhao is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.

Corporate Governance

The Board is entrusted with the overall responsibility of: (i) developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Company's Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring codes of conduct and compliance manuals (if any) applicable to the Company's employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board has reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company in compliance with the CG Code and the Listing Rules. Further, the Board has also reviewed and monitored the Group's policies and practices and noted that the Group has complied with the relevant legal and regulatory requirements in all material respects during the year under review. The Board has also reviewed the employees' manual applicable to the employees of the Company. Lastly, the Board has reviewed the Company's compliance with the CG Code and the disclosure of this Corporate Governance Report.

Attendance of each Director at the board and committee meetings held during the year under review is summarized as follows:

	Training courses	Board Meeting *iv*	Annual General Meeting *iv*	Audit Committee *iv*	Remuneration Committee *iv*	Nomination Committee *iv*
Executive Directors						
Mr. Ding Huihuang (Chairman)	*i*	4/4	1/1	N/A	N/A	N/A
Mr. Ding Wuhao (President)	*i*	4/4	0/1	N/A	N/A	1/1
Mr. Ding Huirong (Vice President)	*i*	4/4	1/1	N/A	N/A	N/A
Mr. Wang Jiabi (Vice President)	*i*	4/4	1/1	N/A	1/1	N/A
Independent Non-executive Directors						
Mr. Yan Man Sing, Frankie	*i, ii*	4/4	1/1	3/3	1/1	1/1
Mr. Sun Xianhong (resigned and effective from on 1 June 2014)	–	1/1	0/1	3/3	–	–
Dr. Liao Jianwen (appointed and effective from 1 June 2014)	*iii*	3/3	N/A	1/1	1/1	N/A
Mr. Tsui Yung Kwok	*i, ii*	4/4	1/1	2/2	N/A	1/1

Notes:

i. *Director who attended Corporate Governance training course organised by the Company's legal advisers during the year under review.*

ii. *Director who attended courses organised by The Stock Exchange of Hong Kong Limited during the year.*

iii. *Director who participated training courses prepared by legal advisers.*

iv. *Number of meetings attended/number of meetings held.*

The Chairman has held one meeting with all the independent non-executive Directors without the presence of other executive Directors to discuss of the Company's business during the year under review.

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In determining the independence of the independent non-executive Directors, the Board follows the requirements set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

THE ROLES OF THE CHAIRMAN AND PRESIDENT

The divisions of responsibilities between the Chairman of the Board, Mr. Ding Huihuang, and the President, Mr. Ding Wuhao, who effectively performs the functions of the chief executive officer of the Group, are clearly defined and have been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. He is primarily responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The President is directly in charge of the daily operations of the Group and are accountable to the Board for the financial and operational performance of the Group.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 30 June 2009 which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of three years from their respective dates of appointment which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

In accordance with the Company's articles of association, each year, one third of the Directors (including executive Directors and independent non-executive Directors) for the time being will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years at the general meeting.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 June 2009, renewable upon expiry, and were renewed on 30 June 2012. Mr. Yan Man Sing, Frankie, Mr. Tsui Yung Kwok and Dr. Liao Jianwen, independent non-executive Directors, have entered into a service contract with the Company for a term of three years commencing from 9 August 2011, 1 September 2012 and 1 June 2014, respectively, which are also renewable upon expiry.

No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

COMPANY SECRETARY

Ms. Choi Mun Duen, the company secretary of the Company, reports to Mr. Ding Wuhao, the President. The details of her biographical is set out in the section headed "Director and Senior Management" of the annual report. Ms. Choi also confirmed that she has taken no less than 15 hours relevant professional training during the financial year.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board has established the following Board committees to oversee particular aspects of the Group's affairs. These committees are governed by their respective written terms of reference approved by the Board.

Audit Committee

The audit committee of the Board (the "Audit Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Audit Committee comprised three members who all are independent non-executive Directors, namely Mr. Yan Man Sing, Frankie, Mr. Tsui Yung Kwok and Mr. Sun Xianhong. Mr. Yan Man Sing Frankie is the Chairman of the Audit Committee. Mr. Sun Xianhong resigned as an independent non-executive Director on 1 June 2014 and ceased to be a member of the Audit Committee. His role was replaced by Dr. Liao Jianwen.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014, including the accounting principles and practice adopted by the Group.

The primary duties of the Audit Committee are mainly to: (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditors; (ii) approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; (iii) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iv) discuss with the external auditors regarding the nature and scope of the audit and reporting obligations before the audit commences; (v) develop and implement policy on engaging an external auditors to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; (vi) monitor integrity of the Company's financial statements, annual report, accounts and half-year report; and (vii) review significant financial reporting judgements contained in them. In reviewing these reports before their submission to the Board, the Audit Committee has focused particularly on:–

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting.

The duties of the Audit Committee also include reviewing the arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee ensures that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions, and acts as the key representative body for overseeing the Company's relations with the external auditors.

The Audit Committee has held three meetings during the year ended 31 December 2014 with two meetings have been attended by external auditors. The meetings have discussed the auditing, internal controls and financial reporting matters of the Company. The Audit Committee has: (i) considered significant or unusual items that are, or may need to be, reflected in the reports and accounts and matters that have been put forward by the Company's staff responsible for the accounting and financial reporting function as well as external auditors; (ii) oversighted the Company's financial reporting system and internal control procedures to review the Company's financial controls, internal control and risk management systems; and (iii) discussed with the management about the internal control system of the Company to ensure that management has performed its duty to have an effective internal control system. The discussion also included (i) the adequacy of resources; (ii) staff qualifications and experience; (iii) training programmes and budget of the Company's accounting and financial reporting function; (iv) major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (v) review of the Group's financial and accounting policies and practices and the external auditors' management letter; (vi) material queries raised by the external auditors to management about accounting records, and financial accounts and systems of control as well as management's responses. For the details of members' attendance of the Audit Committee's meeting, please refer to the table on P.48.

Remuneration Committee

The remuneration committee of the Board (the "Remuneration Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Remuneration Committee comprised three members, namely Mr. Wang Jiabi, Mr. Sun Xianhong and Mr. Yan Man Sing Frankie from 1 January 2014 to 1 June 2014, and Mr. Wang Jiabi, Dr. Liao Jianwen and Mr. Yan Man Sing Frankie from 1 June 2014 to 31 December 2014. Mr. Sun Xianhong resigned as an independent non-executive Director effective from 1 June 2014 and ceased to be the chairman and member of the Remuneration Committee. His role was replaced by Dr. Liao Jianwen from 1 June 2014.

The primary duties of the Remuneration Committee are to: (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) make recommendation to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments; (iv) make recommendations to the Board on the remuneration of non-executive Directors by taking into account salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (v) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and (vi) ensure that no director or any of his associates is involved in deciding his own remuneration.

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, the aggregate amount for all executive Directors shall not exceed 5% of the audited consolidated net profits after tax of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee.

The Remuneration Committee has held one meeting to review and approve the remuneration packages of Directors and senior management of the Group for the year ended 31 December 2014.

For the details of members' attendance of the Remuneration Committee Meeting, please refer to the table on P.48.

Nomination Committee

The nomination committee of the Board (the "Nomination Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting year, the Nomination Committee comprised of three members, namely Mr. Ding Wuhao, Mr. Yan Man Sing Frankie and Mr. Tsui Yung Kwok. Mr. Tsui Yung Kwok is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman and the President of the Company.

The Nomination Committee has held one meeting for the year ended 31 December 2014 to nominate the members of Board for retirement and re-election at the forthcoming AGM and to review the structure, size and composition of the Board. For the details of members' attendance of the Nomination Committee meeting, please refer to P.48.

The Company has adopted the board diversity policy on 29 August 2013 (the "Board Diversity Policy"). The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Board Diversity Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to, gender, race, language, cultural background, educational background, industry experience and professional experience, which are the measurable objectives for implementing the Board Diversity Policy.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Board nomination and appointments will continue to be made on merit basis based on the Group's business needs from time to time with adequate consideration of diversity of Board members.

The Nomination Committee is also responsible for reviewing the Board Diversity Policy, developing and reviewing measureable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the Board Diversity Policy and the measureable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board.

During the year under review, the Nomination Committee has considered the Board Diversity Policy and whether the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration bands (HK$)	Number of persons
HK$Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$3,000,001 to HK$3,500,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the financial statements, respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditor's report in the section headed "Independent Auditor's Report" which acknowledges the reporting responsibilities of the Group's auditor.

Auditors' Remuneration

During the year ended 31 December 2014, the remuneration paid or payable to the external auditors, in respect of their audit and non-audit services are as follows:

	2014
Statutory audit services	**RMB3,326,000**
Non-audit services	**RMB639,000**

Internal Control

The Board acknowledges its responsibility for ensuring that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

During the year under review, the Board has conducted reviews of the internal control systems of the Company and considered that such the internal control systems of the Company had been implemented effectively. The reviews covered all material controls, including financial, operational and compliance controls and risk management functions. The Board also considered the Group's adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, and their training programmes and budget.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Board recognizes the importance of maintaining clear, timely and effective communication with shareholders of the Company and investors. The Board also recognizes that effective communication with investors is the key to establish investor confidence and to attract new investors. Therefore, the Group's policy is to maintain a high degree of transparency to ensure that the investors and the shareholders of the Company are receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, interim reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website, www.361sport.com. The Board and senior management maintain regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. The Chairman of the Board, executive Directors and members of the various committees would attend and answer questions raised at the AGM. Separate resolutions would be proposed at the AGM on each substantial separate issue.

Voting by Poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of voting by poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. Results of votings would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Convening of extraordinary general meeting on requisition by Shareholders

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

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings

Any shareholder of the Company who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing shareholder' enquiries to the Board" below.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

The Company Secretary
361 Degrees International Limited
Room 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Email: 361@361sportshk.com
Tel No.: +852 2907 7088
Fax No.: +852 2907 7198

The Company Secretary shall forward shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, in order for the Board to respond to such enquires.

Constitutional Documents

As at 31 December 2014, the Group confirmed that there had not been not any change on the memorandum and articles of association of the Company.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ding Wuhao（丁伍號）, aged 49, was appointed as an executive Director in August 2008 and is the president of the Company. He is primarily responsible for the Group's overall strategies, planning and business development. He has over 15 years of experience in the PRC sportswear industry. Since December 2006, he has been a member of the Chinese People's Political Consultative Conference ("CPPCC") Fujian Province Jinjiang City Committee（中國人民政治協商會議福建省晉江市委員會）. In October 2008, he received the award of the "2008 Most Socially Responsible Entrepreneur in China" (2008年度中國最具社會責任企業家）by the Annual Selection Organising Committee of China Human Resources Management（中國人力資源管理年度評選組委會）. In May 2009, he received the "Contribution Award for China TV Sports Programmes"（中國體育電視貢獻獎）by CCTV Sports Channel（中央電視台體育頻道）. In 2010, he was awarded "Top Ten Chinese Entrepreneur of Integrity of the Year（創業中國年度十大誠信人物獎）" by "Example for China (《榜樣中國》)", "Outstanding Contribution Award for Asian Games（亞運突出貢獻獎）" by 16th Asian Games Organizing Committee（第十六屆亞運會組委會）, and "Outstanding Contribution Award of Asian Games（亞洲體育杰出貢獻獎）" by Olympic Council of Asia（亞洲奧林匹克理事會）. In 2011, he was awarded "The Most Caring Chinese Entrepreneur on Staff's Development（中國最關注員工發展企業家）" at the eighth session of China Human Resource Management Innovation Summit（第八屆中國人力資源管理創新高峰會）and "Top Ten Youth Business Leader in Asia（亞洲十大青年商業領袖）" by Forbes. He completed a CEO in China's Enterprise/Finance program at the Cheung Kong Graduate School of Business in August 2012. Mr. Ding is the brother-in-law of Mr. Ding Huihuang and Mr. Ding Huirong, both executive Directors. Mr. Ding is the sole director and sole shareholder of Dings International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huihuang（丁輝煌）, aged 49, was appointed as an executive Director in August 2008 and is the chairman of the Company. He is primarily responsible for overall strategies, operation planning and footwear production. He has over 15 years of experience in the PRC sportswear industry. He was awarded the "Top Ten Outstanding Youths in China Industrial Economy" （中國工業經濟十大傑出青年）by the Organising Committee of China Industry Forum（中國工業論壇組委會）in January 2008 and the "Top Ten Outstanding Youth Entrepreneurs of Quanzhou City" （泉州市十大傑出青年企業家）jointly issued by 18 governmental and commercial institutions in Quanzhou City, Fujian Province, the PRC in February 2007. He has been a standing member of the third committee of Quanzhou City Shoe Commercial Association（泉州市鞋業商會）and a vice chairman of Fujian Province Shoe Industry Association（福建省鞋業行業協會）since January 2006 and January 2007 respectively. Mr. Ding is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Ming Rong International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huirong（丁輝榮）, aged 43, was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for financial management and infrastructure construction management of the Company, more specifically the construction of the new production facility and warehouse of the Group at the Wuli Industrial Park. He has over 15 years of experience in financial management. Mr. Ding is the younger brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Hui Rong International Company Limited, a substantial shareholder of the Company.

Mr. Wang Jiabi（王加碧）, aged 57, was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for the human resources and external public relationship. Mr. Wang has over 15 years of experience in the PRC sportswear industry. He has completed an EMBA programme offered by Peking University（北京大學）in January 2010. Mr. Wang is the sole director and sole shareholder of Jia Wei International Co., Ltd., a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Yan Man Sing Frankie（甄文星）, aged 57, joined the Group in August 2011 and is an independent non-executive Director. Mr. Yan has over 20 years of experience in financial management, corporate governance, corporate financial advisory, mergers and acquisitions. He is currently a Deputy Managing Director of the corporate finance department of a state-owned PRC securities house's Hong Kong office. He holds a fellowship of the Hong Kong Institute of Certified Public Accountants (the"HKICPA") and the Association of Chartered Certified Accountants (the "ACCA"). His public services include (i) a membership of the Election Committee of the Hong Kong Special Administrative Region, (ii) the treasurer of the Vascular and Interventional Radiology Foundation（透視微創治療基金）and (iii) the Secretary and the Financial Services Spokesman of a think tank which conducts research into Hong Kong's public policies.

Mr. Tsui Yung Kwok（徐容國）, aged 46, joined the Group in September 2012 and is an independent non-executive Director. Mr. Tsui has over 20 years of experience in accounting and finance. He was awarded a bachelor degree in Business (Accounting) from Curtin University of Technology, Australia and a master degree in Corporate Governance from The Hong Kong Polytechnic University. He is currently the chief financial officer, the company secretary and an executive director of Ju Teng International Holdings Limited (Stock code: 03336). He is also an independent non-executive director of Shenguan Holdings (Group) Limited (Stock code: 00829), SITC International Holdings Limited (Stock code: 01308) and Cabbeen Fashion Limited (Stock code: 02030). Mr. Tsui is a member of the Institute of Chartered Accountants in Australia, CPA Australia, the Hong Kong Institute of Chartered Secretaries and a certified public accountant of the HKICPA.

Dr. Liao Jianwen（廖建文）, aged 47, joined the Group in June 2014 and is an independent non-executive Director. He is the Associate Dean, Academic Director of Innovation Center, and Professor of Managerial Practice in Strategy, Innovation and Entrepreneurship at the Cheung Kong Graduate School of Business. His professional experience spans across North America and Asia. He was a tenured associate professor at the Stuart School of business, Illinois Institute of Technology during 2006 to 2012. Additionally, he held various visiting professor positions at Hong Kong University of Science and Technology, China European International Business School (the "CEIBS") and Peking University. Dr. Liao is primarily engaged in cross disciplinary research in strategy, innovation and entrepreneurship, and in particular the interactions between new economy and traditional economy. He has won several awards for his research and teaching, including the research grant awards from the US Small Business Administration in 2007 and 2008 and the Excellence in Teaching Award in 2009 at Stuart School of Business at Illinois Institute of Technology. Dr. Liao also serves as an independent director at Colour Life Services Group Co. (Stock code: 01778), China Mengniu Dairy Company Limited (Stock code: 02319) and Qihoo 360 (Stock code: QIHU). Dr. Liao received his Bachelor of Engineering from Northeastern University in July 1988, his Master of Economics from Renmin University of China in February 1991 and his Ph.D of Business Administration from Southern Illinois University at Carbondale in August 1996.

SENIOR MANAGEMENT

Mr. Chen Yongling（陳永靈）, aged 41, is the vice president of capital market of the Group and is primarily responsible for the Group's overall capital operation management. He joined the Group in August 2005. Mr. Chen has over 17 years of experience in finance, operation and business management. Mr. Chen received his diploma in business management from Zhejiang University（浙江大學）in January 2007. Mr. Chen holds a qualification certificate for accounting（中國會計師）and national secretary qualification (second class)（秘書資格國家二級）conferred by the Ministry of Finance of the PRC, a qualification certificate for economics（經濟師）of the PRC, a qualification certificate for finance management（財務管理師）and received the Certificate of Qualification for International Certified Senior Accountant（國際註冊高級會計師）awarded by the International Profession Certification Association（國際認證協會）. He received the awards of the "2011 Chinese Year of the Chief Accountant" (2011中國總會計師年度人物獎）and "2013 Chinese Economist"（2013中國經濟人物）by the "China Association of Chief Financial Officer"（中國總會計師協會）and the "Committee of China Economic Development Forum"（中國經濟發展論壇組委會）, respectively.

Mr. Lu Ning（盧寧）, aged 47, is the executive vice president of the Group in charge of the footwear business, apparel business, product centre and operation department of the Group. He has over 20 years experiences in managing international renowned sportswear brands. He joined the Group in March 2013. Mr. Lu received his bachelor's degree in Economic Investment from the Nanjing University（南京大學）in 1996 and enrolled the Executive Master of Business Administration (EMBA) at the China Europe International Business School（中歐國際工商學院）in March 2011.

Mr. Lin Bing Huang（林炳煌）, aged 57, is the general manager of International Business Department of the Group and primarily responsible for the development and daily operation of the Group's overseas business. He has over 30 years experiences in managing international renowned sportswear brands. He joined the Group in August 2013. Mr. Lin received his bachelor's degree in International Trade from Tunghai University（東海大學）in Taiwan.

Mr. Chen Zhicheng（陳志誠）, aged 56, is the general manager of children's wear business of the Group and is primarily responsible for the Group's daily operation and management of children's wear series. He possesses over 17 years of experience in managing renowned international children's wear brands in the children's wear industry of China and Taiwan. He joined the Group in May 2009 and received his bachelor's degree in business administration from National Cheng Kung University in Taiwan in 1981.

Ms. Choi Mun Duen（蔡敏端）, aged 46, joined the Group in October 2008 and is the chief financial officer, an authorized representative and the company secretary of the Company. She has over 20 years of experience in auditing, finance and accounting. She received her bachelor's degree in accounting and finance from University of Glamorgan in the U.K. She is a certified public accountant of the HKICPA and a fellow member of the ACCA.

Mr. Chen Yuen Feng（陳遠逢）, aged 60, is the vice-president of investor relations and is primarily responsible for the Group's investor relationship. He joined the Group in November 2009. Mr. Chen was admitted as an associate member of the Institute of Chartered Accountants in England and Wales in 1980.

Mr. Chen Jian Ci（陳建次）, aged 44, is the vice president of supply chain management center and primarily responsible for overall planning in warehouse, logistics and network, integrating data stream and managing enterprise information system deployment of the Group. He has over 15 years of experience in information system related works and has worked in world renowned enterprises. He joined the Group in December 2011. Mr. Chen received his bachelor's degree in information management from Tamkang University（淡江大學）in Taiwan in 1995.

Mr. Ling Jun（凌雋）, aged 39, is the head of the Group's brand department and is primarily responsible for the Group's overall brand management. Mr. Ling has over 5 years of experience in brand management. He joined the Group in April 2008. He received his diploma in the advance program of study in business communication and management from California State University of Sacramento in September 2002. He received his master's degree in business administration from American National University in April 2003.

Mr. Li Xiang（李翔）, aged 40, is the general manager of One Way International Enterprise Limited, a subsidiary of the Group, and primarily responsible for the development and management of the product series of "One Way" Brand. Mr. Li joined the Group in October 2007. Mr. Li has over 10 years of experience in marketing and product management. Mr. Li received his bachelor's degree in art from Hua Zhong Normal University（華中師範大學）in September 1997.

Independent Auditor's Report

Independent auditor's report to the shareholders of
361 Degrees International Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of 361 Degrees International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 63 to 128, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

10 March 2015

Consolidated statement of profit or loss

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**3,906,286**	3,583,477
Cost of sales		**(2,309,490)**	(2,166,378)
Gross profit		**1,596,796**	1,417,099
Other revenue	4	**112,870**	83,766
Other net (loss)/gain	4	**(12,987)**	5,101
Selling and distribution expenses		**(769,245)**	(729,300)
Administrative expenses		**(203,269)**	(424,456)
Profit from operations		**724,165**	352,210
Net change in fair value of derivatives embedded to convertible bonds	20	**51,661**	41,841
Loss on repurchase of convertible bonds		**(76,118)**	–
Finance costs	5(a)	**(92,235)**	(79,127)
Profit before taxation	5	**607,473**	314,924
Income tax	6(a)	**(202,261)**	(100,193)
Profit for the year		**405,212**	214,731
Attributable to:			
Equity shareholders of the Company	9	**397,642**	211,261
Non-controlling interests		**7,570**	3,470
Profit for the year		**405,212**	214,731
Earnings per share	10		
Basic (cents)		**19.2**	10.2
Diluted (cents)		**19.2**	10.2

The notes on pages 71 to 128 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2014 (Expressed in Reminbi)

	2014 RMB'000	2013 RMB'000
Profit for the year	**405,212**	214,731
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(5,567)**	6,696
Total comprehensive income for the year	**399,645**	221,427
Attributable to:		
Equity shareholders of the Company	**392,075**	217,957
Non-controlling interests	**7,570**	3,470
Total comprehensive income for the year	**399,645**	221,427

The notes on pages 71 to 128 form part of these financial statements. There was no tax effect relating to the components of other comprehensive income.

Consolidated statement of financial position

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Fixed assets	11		
– Property, plant and equipment		**1,050,676**	974,627
– Interests in leasehold land held for own use under operating leases		**95,450**	97,602
		1,146,126	1,072,229
Other financial asset	13	**17,550**	17,550
Deposits and prepayments	15	**96,691**	121,148
Deferred tax assets	24(b)	**49,971**	92,256
		1,310,338	1,303,183
Current assets			
Inventories	14	**570,058**	409,358
Trade debtors	15	**1,524,240**	1,831,184
Bills receivable	15	**132,013**	84,780
Deposits, prepayments and other receivables	15	**891,951**	636,873
Pledged bank deposits	16&17	**175,895**	37,900
Deposits with banks	17	**1,800,000**	321,747
Cash and cash equivalents	17	**2,130,237**	2,494,280
		7,224,394	5,816,122
Current liabilities			
Trade and other payables	18	**1,851,099**	1,469,179
Bank loans	19	**15,311**	15,898
Current taxation	24(a)	**146,374**	120,576
		2,012,784	1,605,653
Net current assets		**5,211,610**	4,210,469

Consolidated statement of financial position

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Total assets less current liabilities		**6,521,948**	5,513,652
Non-current liabilities			
Deferred tax liabilities	24(b)	**133**	5,432
Interest-bearing borrowings	20	**1,484,869**	767,539
		1,485,002	772,971
NET ASSETS		**5,036,946**	4,740,681
CAPITAL AND RESERVES			
Share capital	25(c)	**182,298**	182,298
Reserves		**4,782,743**	4,494,048
Total equity attributable to equity shareholders of the Company		**4,965,041**	4,676,346
Non-controlling interests		**71,905**	64,335
TOTAL EQUITY		**5,036,946**	4,740,681

Approved and authorised for issue by the board of directors on 10 March 2015.

Ding Huihuang
Director

Ding Huirong
Director

The notes on pages 71 to 128 form part of these financial statements.

Statement of financial position

at 31 December 2014 (Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current asset			
Investment in subsidiary	12	**1**	1
Current assets			
Amounts due from subsidiaries	21	**1,828,884**	992,892
Other receivables	15	**–**	1,599
Deposits with banks	17	**–**	121,268
Cash and cash equivalents	17	**918**	8,881
		1,829,802	1,124,640
Current liabilities			
Amounts due to subsidiaries	21	**27,683**	27,683
Other payables	18	**37,533**	124,281
		65,216	151,964
Net current assets		**1,764,586**	972,676
Total assets less current liabilities		**1,764,587**	972,677
Non-current liability			
Interest-bearing borrowings	20	**1,484,869**	767,539
NET ASSETS		**279,718**	205,138
CAPITAL AND RESERVES	25(a)		
Share capital		**182,298**	182,298
Reserves		**97,420**	22,840
TOTAL EQUITY		**279,718**	205,138

Approved and authorised for issue by the board of directors on 10 March 2015.

Ding Huihuang
Director

Ding Huirong
Director

The notes on pages 71 to 128 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2013		182,298	459,903	156,252	82,724	473,658	12,859	(38,478)	3,348,844	4,678,060	52,403	4,730,463
Changes in equity for the year ended 31 December 2013:												
Profit for the year		–	–	–	–	–	–	–	211,261	211,261	3,470	214,731
Other comprehensive income		–	–	–	–	–	–	6,696	–	6,696	–	6,696
Total comprehensive income		–	–	–	–	–	–	6,696	211,261	217,957	3,470	221,427
Capital contribution received from non-controlling interests		–	–	–	7,765	–	–	–	–	7,765	8,462	16,227
Appropriation to statutory reserve		–	–	–	–	30,569	–	–	(30,569)	–	–	–
Dividends declared and paid during the year	25(b)	–	(227,436)	–	–	–	–	–	–	(227,436)	–	(227,436)
Balance at 31 December 2013		182,298	232,467	156,252	90,489	504,227	12,859	(31,782)	3,529,536	4,676,346	64,335	4,740,681
Balance at 1 January 2014		182,298	232,467	156,252	90,489	504,227	12,859	(31,782)	3,529,536	4,676,346	64,335	4,740,681
Changes in equity for the year ended 31 December 2014:												
Profit for the year		–	–	–	–	–	–	–	397,642	397,642	7,570	405,212
Other comprehensive income		–	–	–	–	–	–	(5,567)	–	(5,567)	–	(5,567)
Total comprehensive income		–	–	–	–	–	–	(5,567)	397,642	392,075	7,570	399,645
Appropriation to statutory reserve		–	–	–	–	28,835	–	–	(28,835)	–	–	–
Equity settled share-based transaction	23	–	–	–	–	–	(12,859)	–	12,859	–	–	–
Dividends declared and paid during the year	25(b)	–	(103,380)	–	–	–	–	–	–	(103,380)	–	(103,380)
Balance at 31 December 2014		182,298	129,087	156,252	90,489	533,062	–	(37,349)	3,911,202	4,965,041	71,905	5,036,946

The notes on pages 71 to 128 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	**2014 RMB'000**	2013 RMB'000
Operating activities			
Profit before taxation		**607,473**	314,924
Adjustments for:			
Depreciation	5(c)	**65,040**	65,442
Amortisation of land lease premium	5(c)	**2,152**	2,152
Finance costs	5(a)	**92,235**	79,127
Interest income	4	**(77,581)**	(53,169)
Net change in fair value of derivatives embedded to convertible bonds		**(51,661)**	(41,841)
Loss on repurchase of convertible bonds		**76,118**	–
Net (gain)/loss on disposal of fixed assets	4	**(7)**	40
(Reversal of impairment loss)/impairment loss on trade receivables	5(c)	**(111,366)**	152,001
Effect of foreign exchange rates changes		**23,072**	(7,804)
Changes in working capital:			
(Increase)/decrease in inventories		**(160,700)**	51,357
Decrease/(increase) in trade debtors		**418,310**	(55,145)
(Increase)/decrease in bills receivable		**(47,233)**	98,690
Increase in deposits, prepayments and other receivables		**(243,340)**	(85,578)
Increase/(decrease) in trade and other payables		**458,149**	(97,433)
Cash generated from operations		**1,050,661**	422,763
People's Republic of China ("PRC") income tax paid		**(139,477)**	(99,607)
Net cash generated from operating activities		**911,184**	323,156
Investing activities			
Payment for the purchase of fixed assets		**(135,046)**	(43,965)
Decrease in non-current prepayments		**20,475**	18,625
Proceeds from disposal of fixed assets		**142**	164
(Increase)/decrease in pledged bank deposits		**(137,995)**	57,830
(Increase)/decrease in deposits with banks		**(1,478,253)**	261,901
Interest received		**65,487**	52,996
Net cash (used in)/generated from investing activities		**(1,665,190)**	347,551

Consolidated cash flow statement

for the year ended 31 December 2014 (Expressed in Renminbi)

	Note	**2014 RMB'000**	2013 RMB'000
Financing activities			
Capital contribution received from non-controlling interests		**–**	16,225
Proceeds from senior unsecured notes		**1,463,889**	–
Repayment of bank loans		**(587)**	(26,417)
Repurchase of convertible bonds		**(944,413)**	–
Finance charges on convertible bonds paid		**(27,416)**	(41,786)
Interest paid		**(1,367)**	(2,204)
Dividends paid	25(b)	**(103,380)**	(227,436)
Net cash generated from/(used in) financing activities		**386,726**	(281,618)
Net (decrease)/increase in cash and cash equivalents		**(367,280)**	389,089
Cash and cash equivalents at 1 January		**2,494,280**	2,107,018
Effect of foreign exchange rate changes		**3,237**	(1,827)
Cash and cash equivalents at 31 December	17	**2,130,237**	2,494,280

The notes on pages 71 to 128 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The Company and other investment holding subsidiaries incorporated in the British Virgin Islands (the "BVI") and Hong Kong have their functional currency in Hong Kong dollars and subsidiaries established in the PRC have their functional currency in Renminbi ("RMB"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group's financial statements. All financial information presented is rounded to the nearest thousand except otherwise stated. The measurement basis used in the preparation of the financial statements is the historical costs basis except that derivative financial instruments are stated at their fair value as explained in the accounting policy set out in note 1(f).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Change in accounting policies

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

– Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

– Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

– HK(IFRIC) 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended HKFRSs are discussed below:

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired assets or CGU whose recoverable amount is based on fair value less costs of disposal. Initial adoption in 2014 does not have impact on the financial statements.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the Group's existing accounting policies.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)), unless the investment is classified as held for sale.

(e) Other investments in equity securities

Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(i)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Derivative financial instruments

Derivatives financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initiate estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(u)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion.

– Plant and machinery	5 – 10 years
– Office equipment and other fixed assets	2 – 10 years
– Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(i) Classification of assets leased to the Group

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(i) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables *(Continued)*

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment, interests in leasehold land held for own use under operating leases, non-current deposits and prepayments and investment in subsidiary may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Convertible bonds

Convertible bonds which do not contain an equity component are accounted for as follows:

At initial recognition the derivative components of the convertible bonds is measured at fair value and presented as part of derivative financial instruments (see note 1(f)). Any excess of proceeds over the amount initially recognised as the derivative components is recognised as the liability component. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative components is recognised immediately in profit or loss.

The derivative components are subsequently remeasured in accordance with note 1(f). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

If the bond is converted, the carrying amounts of the derivative and liability components are transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contribution to relevant local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Employee benefits *(Continued)*

(ii) Share-based payments *(Continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts and goods return.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of subsidiaries with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a subsidiary with functional currency other than RMB, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Research and development and advertising

Expenditure on research and development and advertising activities is recognised as an expense in the period in which it is incurred. Prepayment for advertising are recognised as an expense in equal instalments over the periods covered by the agreement term.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the turnover and profit from operations of the Group are mainly derived from activities in the PRC.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Notes 23 and 26 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Useful lives of fixed assets

The Group determines the estimated useful lives and related depreciation/amortisation charges for the fixed assets. This estimate is based on the historical experience of the actual useful lives of the fixed assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment losses on trade debtors and bills receivable

The Group recognises impairment losses on doubtful debts based on an assessment of the recoverability of trade debtors and bills receivable. Impairments are applied to trade debtors and bills receivable where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debts expenses in the period in which such estimate has been changed.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(a) Sources of estimation uncertainty *(Continued)*

(iii) Other impairment losses

If circumstances indicate that carrying value of investment in subsidiary, property, plant and equipment, interest in leasehold land held for own use under operating leases, non-current deposits and prepayments and other financial assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36, *Impairment of assets*. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling prices and the value in use. It is difficult to estimate precisely selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(iv) Net realisable value of inventories

The Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgment and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

(v) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are manufacturing and trading of sporting goods, including footwear, apparel and accessories in the PRC. Turnover represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014 **RMB'000**	2013 RMB'000
Footwear	**1,742,652**	1,674,956
Apparel	**2,067,293**	1,836,272
Accessories	**96,341**	72,249
	3,906,286	3,583,477

The Group's customer base is diversified and has only one (2013: two) customer with whom transactions have exceeded 10% of the Group's revenues. In 2014, revenues from sales of footwear, apparel and accessories to the (2013: two) customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB536 million (2013: RMB538 million and RMB423 million respectively) and arose in both reportable segments (see note 3(b)). Details of concentrations of credit risk arising from these customers are set out in note 26(a)(i).

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

(b) Segment reporting

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

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

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

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

(Expressed in thousands of Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

	361° Products – Adults		*361°* Products – Kids		Total	
	2014 RMB'000	2013 RMB'000	**2014 RMB'000**	2013 RMB'000	**2014 RMB'000**	2013 RMB'000
Reportable segment revenue	**3,398,783**	3,163,102	**507,503**	420,375	**3,906,286**	3,583,477
Cost of sales	**(2,008,617)**	(1,910,718)	**(300,873)**	(255,660)	**(2,309,490)**	(2,166,378)
Reportable segment profit (gross profit)	**1,390,166**	1,252,384	**206,630**	164,715	**1,596,796**	1,417,099

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

	2014 RMB'000	2013 RMB'000
Revenue		
Reportable segment revenue and consolidated turnover (note 3(a))	**3,906,286**	3,583,477
Profit		
Reportable segment profit	**1,596,796**	1,417,099
Other revenue	**112,870**	83,766
Other net (loss)/gain	**(12,987)**	5,101
Selling and distribution expenses	**(769,245)**	(729,300)
Administrative expenses	**(203,269)**	(424,456)
Net change in fair value of derivatives embedded to convertible bonds	**51,661**	41,841
Loss on repurchase of convertible bonds	**(76,118)**	–
Finance costs	**(92,235)**	(79,127)
Consolidated profit before taxation	**607,473**	314,924

4 OTHER REVENUE AND NET (LOSS)/GAIN

	2014 RMB'000	2013 RMB'000
Other revenue		
Bank interest income	**77,581**	53,169
Government grants	**23,408**	6,889
Others	**11,881**	23,708
	112,870	83,766
Other net (loss)/gain		
Net gain/(loss) on disposal of fixed assets	**7**	(40)
Net foreign exchange (loss)/gain	**(12,994)**	5,141
	(12,987)	5,101

Government grants of RMB23,408,000 (2013: RMB6,889,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

(Expressed in thousands of Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2014 **RMB'000**	2013 RMB'000
(a)	**Finance costs**		
	Interest on bank and other borrowings wholly repayable within five years	**1,367**	2,204
	Finance charges on convertible bonds (note 20)	**53,338**	76,923
	Finance charges on senior unsecured note (note 20)	**37,530**	–
		92,235	79,127
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**20,608**	18,450
	Salaries, wages and other benefits	**308,308**	279,685
		328,916	298,135
(c)	**Other items**		
	Auditors' remuneration		
	– audit services	**3,326**	3,336
	– tax services	**145**	–
	– other services	**494**	–
	Amortisation of land lease premium	**2,152**	2,152
	Depreciation	**65,040**	65,442
	(Reversal of impairment loss)/impairment loss on trade receivables (note 15(b))	**(111,366)**	152,001
	Operating lease charges in respect of properties	**14,617**	13,342
	Research and development costs *	**95,703**	85,764
	Cost of inventories **	**2,309,490**	2,166,378

* Research and development costs include RMB28,601,000 (2013: RMB31,613,000) relating to staff costs of employees in the research and development department, which amount is also included in the total staff costs as disclosed in note 5(b).

** Cost of inventories include RMB220,547,000 (2013: RMB202,218,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2014 RMB'000	2013 RMB'000
Current tax – PRC income tax		
Provision for the year	**171,142**	131,090
Over-provision in respect of prior years	**(5,867)**	(3,286)
	165,275	127,804
Deferred tax		
Origination and reversal of temporary differences	**36,986**	(27,611)
	202,261	100,193

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

(ii) No provision has been made for Profits Tax in Hong Kong, Brazil and USA as the Group did not earn any income subject to Profits Tax in Hong Kong, Brazil and USA during the year.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on a statutory rate of 25% (2013: 25%) of the assessable profits of the PRC subsidiaries.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2014 RMB'000	2013 RMB'000
Profit before taxation	**607,473**	314,924
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**188,283**	91,909
Tax effect of non-deductible expenses	**21,595**	13,119
Tax effect of non-taxable income	**(1,750)**	(1,549)
Over-provision in prior years	**(5,867)**	(3,286)
Actual tax expense	**202,261**	100,193

(Expressed in thousands of Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	2014			
	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Ding Wuhao	–	1,201	13	1,214
Ding Huihuang	–	1,000	13	1,013
Ding Huirong	–	1,000	13	1,013
Wang Jiabi	–	646	13	659
Independent non-executive directors				
Yan Man Sing	446	–	–	446
Sun Xianhong (note 2)	133	–	–	133
Liao Jianwen (note 3)	210	–	–	210
Tsui Yung Kwok	334	–	–	334
	1,123	3,847	52	5,022

7 DIRECTORS' REMUNERATION *(Continued)*

	2013			
	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors				
Ding Wuhao	–	1,200	11	1,211
Ding Huihuang	–	1,000	11	1,011
Ding Huirong	–	1,000	11	1,011
Wang Jiabi	–	645	17	662
Independent non-executive directors				
Yan Man Sing	444	–	–	444
Sun Xianhong	320	–	–	320
Liu Jianxing (note 1)	140	–	–	140
Tsui Yung Kwok	333	–	–	333
	1,237	3,845	50	5,132

Notes:

(1) Mr Liu Jianxing resigned as independent non-executive director on 2 September 2013.

(2) Mr Sun Xianhong resigned as independent non-executive director on 1 June 2014.

(3) Mr Liao Jianwen was appointed as independent non-executive director on 1 June 2014.

(Expressed in thousands of Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

None of the directors is the five individuals with the highest emoluments (2013: Nil). The aggregate of the emoluments in respect of the five individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**9,327**	7,858
Retirement scheme contributions	**84**	146
	9,411	8,004

The emoluments of the five individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$1,500,001 to HK$2,000,000	**1**	3
HK$2,000,001 to HK$2,500,000	**3**	2
HK$3,000,001 to HK$3,500,000	**1**	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB172,810,000 (2013: loss of RMB46,523,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB397,642,000 (2013: RMB211,261,000) and the weighted average of 2,068 million ordinary shares (2013: 2,068 million ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2013 and 2014, diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential shares outstanding during the year.

11 FIXED ASSETS

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2013	699,277	197,194	113,073	30,291	126,064	1,165,899	107,156	1,273,055
Exchange adjustments	–	–	(1,283)	–	–	(1,283)	–	(1,283)
Additions	–	13,624	4,969	1,340	63,540	83,473	–	83,473
Disposals	–	(534)	–	–	–	(534)	–	(534)
At 31 December 2013	699,277	210,284	116,759	31,631	189,604	1,247,555	107,156	1,354,711
Accumulated depreciation and amortisation:								
At 1 January 2013	75,616	55,491	65,935	10,808	–	207,850	7,402	215,252
Exchange adjustments	–	–	(34)	–	–	(34)	–	(34)
Charge for the year	29,357	18,460	12,965	4,660	–	65,442	2,152	67,594
Written back on disposals	–	(330)	–	–	–	(330)	–	(330)
At 31 December 2013	104,973	73,621	78,866	15,468	–	272,928	9,554	282,482
Net book value:								
At 31 December 2013	594,304	136,663	37,893	16,163	189,604	974,627	97,602	1,072,229
Cost:								
At 1 January 2014	699,277	210,284	116,759	31,631	189,604	1,247,555	107,156	1,354,711
Exchange adjustments	–	–	1,107	–	–	1,107	–	1,107
Additions	109,598	9,712	11,928	77	8,848	140,163	–	140,163
Disposals	–	(649)	–	–	–	(649)	–	(649)
At 31 December 2014	808,875	219,347	129,794	31,708	198,452	1,388,176	107,156	1,495,332
Accumulated depreciation and amortisation:								
At 1 January 2014	104,973	73,621	78,866	15,468	–	272,928	9,554	282,482
Exchange adjustments	–	–	46	–	–	46	–	46
Charge for the year	29,992	18,320	11,940	4,788	–	65,040	2,152	67,192
Written back on disposals	–	(514)	–	–	–	(514)	–	(514)
At 31 December 2014	134,965	91,427	90,852	20,256	–	337,500	11,706	349,206
Net book value:								
At 31 December 2014	673,910	127,920	38,942	11,452	198,452	1,050,676	95,450	1,146,126

(Expressed in thousands of Renminbi unless otherwise indicated)

11 FIXED ASSETS *(Continued)*

The Group *(Continued)*

As at 31 December 2014, a property with net book value of RMB43,471,000 (2013: RMB43,286,000) was pledged as security for a banking facility of the Group of RMB40,101,000 (2013: RMB21,047,000).

The Group leased out the property under operating leases temporarily for an initial period of one year starting on 1 January 2013. The lease did not include contingent rental and the lease payment received during the year under non-cancellable operating leases was RMB1,106,000. The lease expired as at 31 December 2013 with no renewal.

The analysis of net book value of properties is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
In Hong Kong – medium-term leases	**43,471**	43,286
In PRC – medium-term leases	**725,889**	648,620
	769,360	691,906
Representing:		
Buildings carried at cost	**673,910**	594,304
Interest in leasehold land held for own use under operating leases	**95,450**	97,602
	769,360	691,906

12 INVESTMENT IN SUBSIDIARY

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted share, at cost	**1**	1

12 INVESTMENT IN SUBSIDIARY *(Continued)*

Particulars of the Group subsidiaries are set out as below. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sanliuyidu Holdings Company Limited	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
361 Enterprise Company Limited	Hong Kong	1 share	100%	–	100%	Investment holding
361 Investment Company Limited	Hong Kong	1 share	100%	–	100%	Investment holding
361 Degrees (HK) Investment Limited	Hong Kong	1 share	87%	–	100%	Investment holding
Sanliuyidu (Fujian) Sports Goods Co., Ltd 三六一度(福建)體育用品有限公司 (Notes (i) and (iv))	PRC	HK$280,000,000	100%	–	100%	Manufacture and trading of sporting goods
Sanliuyidu (China) Co., Ltd 三六一度(中國)有限公司 (Notes (i) and (iv))	PRC	HK$560,000,000	100%	–	100%	Manufacture and trading of sporting goods
Sanliuyidu Xiamen Industry & Trade Co., Limited 三六一度(廈門)工貿有限公司 (Notes (ii) and (iv))	PRC	RMB100,000,000	100%	–	100%	Trading of sporting goods
Sanliuyidu (Fujian) Shoes and Plastics Technology Co., Ltd 三六一度(福建)鞋塑科技有限公司 (Notes (iii) and (iv))	PRC	HK$86,000,000	51%	–	51%	Manufacture and trading of shoes soles
361 Degrees Children's Clothing Co., Ltd. 三六一度童裝有限公司 (Note (i) and (iv))	PRC	HK$80,000,000	87%	–	100%	Trading of children sporting goods
Yue Lei International Limited 宇彌國際有限公司	Hong Kong	100,000 shares	100%	–	100%	Trading of sporting goods

(Expressed in thousands of Renminbi unless otherwise indicated)

12 INVESTMENT IN SUBSIDIARY *(Continued)*

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
361 Degrees Kids Wear Holdings Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
361 Degrees Kids Wear Limited	Cayman Islands	1,000,000 shares of HK$0.01 each	87%	–	87%	Investment holding
361 Degrees Kids Wear Investment Limited	BVI	1 share of US$1 each	87%	–	100%	Investment holding
One Way International Enterprise Limited 萬唯國際實業有限公司	Hong Kong	10,000 shares	70%	–	70%	Investment holding
Zhonglan Sports Goods Co. Ltd 中蘭体育用品有限公司 (Note (i) and (iv))	PRC	RMB49,910,463	70%	–	100%	Investment holding
Wangwei (Xiamen) Industry & Trade Co., Limited 望唯(廈門)工貿有限公司 (Note (ii) and (iv))	PRC	RMB5,000,000	70%	–	100%	Trading of sporting goods
361 USA, Inc	United States	US$3,000,000	100%	–	100%	Trading of sporting goods
Yue Lei do Brasil Comércio, Importação e Exportação de Artigos Esportivos Ltda	Brazil	1,926,650 shares of RIO$1 each	100%	–	100%	Trading of sporting goods

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) The entity is a limited liability company established in the PRC.

(iii) The entity is a co-operative joint venture registered in the PRC.

(iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

13 OTHER NON-CURRENT FINANCIAL ASSET

	The Group	
	2014	2013
	RMB'000	RMB'000
Unlisted available-for-sale equity securities	**17,550**	17,550

14 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	**30,943**	18,530
Work in progress	**85,600**	75,710
Finished goods	**453,515**	315,118
	570,058	409,358

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Carrying amount of inventories sold	**2,309,490**	2,166,378

(Expressed in thousands of Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade debtors				
Trade debtors	**1,604,395**	2,022,705	**–**	–
Less: allowance for doubtful debts (note15(b))	**(80,155)**	(191,521)	**–**	–
	1,524,240	1,831,184	**–**	–
Bills receivable	**132,013**	84,780	**–**	–
Deposits, prepayments and other receivables				
Current				
Deposits	**5,105**	3,885	**–**	–
Prepayments	**802,198**	557,209	**–**	–
Other receivables	**84,648**	75,424	**–**	1,244
Derivative financial instruments (note 20)	**–**	355	**–**	355
	891,951	636,873	**–**	1,599
Non-current				
Deposits and prepayments	**96,691**	121,148	**–**	–

Included in prepayments are amounts prepaid to suppliers of RMB584,123,000 (2013: RMB468,765,000).

All of the trade debtors, bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered within one year, except that the Group's current deposits of RMB5,105,000 (2013: RMB3,885,000) are expected to be recovered or recognised as expenses after more than one year.

15 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Within 90 days	**1,035,171**	947,799
Over 90 days but within 180 days	**621,082**	775,818
Over 180 days but within 365 days (note)	**–**	192,347
	1,656,253	1,915,964

Note: The trade debtors and bills receivable in 2013 aged over 180 days but within 365 days of RMB192,347,000 have been fully settled after the year end date.

Trade debtors and bills receivable are due within 30 -180 days from the date of billing. Further details on the Group's credit policy are set out in note 26(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 1(i)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
At 1 January	**191,521**	39,520
(Reversal of impairment loss)/impairment loss recognised	**(111,366)**	152,001
At 31 December	**80,155**	191,521

At 31 December 2014, the Group's trade debtors of RMB80,155,000 (2013: RMB191,521,000) were individually determined to be impaired. The individually impaired receivables related to customers which management assessed that a portion of the receivables were doubtful. Consequently, specific allowances for doubtful debts of RMB80,155,000 (2013: RMB191,521,000) were recognised. The Group does not hold any collateral over these balances.

(Expressed in thousands of Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	The Group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**1,441,754**	1,400,718
Within 30 days past due	**73,553**	176,464
Over 30 days but within 90 days past due	**124,998**	318,257
Over 90 days but within 180 days past due	**15,948**	20,525
Amount past due	**214,499**	515,246
	1,656,253	1,915,964

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

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

16 PLEDGED BANK DEPOSITS

The Group

Bank deposits are pledged to banks as security for certain banking facilities (see note 19).

17 CASH AND BANK DEPOSITS

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Pledged bank deposits	**175,895**	37,900	**–**	–
Deposits with banks				
– More than three months to maturity when placed	**1,800,000**	321,747	**–**	121,268
– Within three months to maturity when placed	**809,593**	102,203	**–**	–
Cash at bank and in hand	**1,320,644**	2,392,077	**918**	8,881
Cash and bank deposits	**4,106,132**	2,853,927	**918**	130,149
Represented by:				
Pledged bank deposits	**175,895**	37,900	**–**	–
Deposits with banks	**1,800,000**	321,747	**–**	121,268
Cash and cash equivalents	**2,130,237**	2,494,280	**918**	8,881
	4,106,132	2,853,927	**918**	130,149

At 31 December 2014, the balances that were placed with banks or on hand in the PRC and included in the pledged bank deposits, deposits with banks and cash and cash equivalents amounted to RMB3,453,744,000 (2013: RMB2,780,555,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors	**522,924**	621,748	**–**	–
Bills payable	**783,760**	213,452	**–**	–
Receipts in advance	**19,352**	7,289	**–**	–
Other payables and accruals	**525,063**	515,371	**37,533**	12,962
Derivative financial instruments (note 20)	**–**	111,319	**–**	111,319
	1,851,099	1,469,179	**37,533**	124,281

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

(Expressed in thousands of Renminbi unless otherwise indicated)

18 TRADE AND OTHER PAYABLES *(Continued)*

Bills payable as at 31 December 2014 and 2013 were secured by pledged bank deposits as disclosed in note 16.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Due within 1 month or on demand	**381,032**	409,598
Due after 1 month but within 3 months	**418,663**	227,810
Due after 3 months but within 6 months	**506,989**	197,792
	1,306,684	835,200

19 BANK LOANS

At 31 December 2014, the bank loans were repayable within one year or on demand and secured as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Secured bank loans	**15,311**	15,898

The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Facilities amount	**3,713,301**	3,627,899
Utilisation at the end of the reporting period		
– Bills payable	**783,760**	213,452
– Bank loans	**15,311**	15,898
	799,071	229,350

For the years ended 31 December 2014 and 2013, bank loan and bills payable of the Group were secured by a property and pledged bank deposits (see notes 11 and 16). The Group's bank loans were not subject to any covenants.

20 NON-CURRENT INTEREST-BEARING BORROWINGS

(a) The analysis of the carrying amount of interest-bearing borrowings is as follows:

	The Group	
	2014	2013
	RMB'000	RMB'000
Senior unsecured notes (note 20(b)(i))	**1,484,869**	–
Convertible bonds (note 20(b)(ii))	**–**	767,539
	1,484,869	767,539

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

(b) Significant terms and repayment schedule of non-bank borrowings

(i) Senior unsecured notes

On 12 September 2014, the Company issued senior unsecured notes with principal amount of RMB1,500,000,000 due 2017. The notes are interest bearing at 7.5% per annum, and payable on a semi-annual basis in arrears. The maturity date of senior unsecured notes is 12 September 2017. The effective interest rate of the senior unsecured notes is 8.42% per annum.

The transaction costs for the issue of the senior unsecured notes amounted to RMB28,191,000. An amount of RMB27,920,000 was offset with the senior unsecured notes and the remaining amount of transaction costs were charged to the statement of profit or loss during the current year.

(ii) Convertible bonds

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

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

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

(Expressed in thousands of Renminbi unless otherwise indicated)

20 NON-CURRENT INTEREST-BEARING BORROWINGS *(Continued)*

(b) Significant terms and repayment schedule of non-bank borrowings *(Continued)*

(ii) Convertible bonds *(Continued)*

The redemption call, redemption put and conversion options are separately accounted for at fair value at the end of each reporting period as derivative financial instruments in accordance with the accounting policy set out in note 1(f) to the financial statements.

As a result of the declaration of final dividend for the year ended 31 December 2012, interim dividend for the six months ended 30 June 2013 and interim dividend for the six months ended 30 June 2014, the conversion price of the convertible bonds was adjusted to HK$3.21 per share with effective from 10 September 2014.

The Group has fully repurchased principal amounts of US$150,000,000 of convertible bonds during the current year. All the repurchased convertible bonds have been cancelled on or before 4 December 2014. There was no outstanding convertible bonds as at 31 December 2014.

	Liability component of convertible bonds (note 20(b)(ii)(a)) RMB'000	Redemption call option (notes 15 and 20(b)(ii)(b)) RMB'000	Redemption put option (notes 18 and 20(b)(ii)(c)) RMB'000	Conversion option (notes 18 and 20(b)(ii)(d)) RMB'000	Total RMB'000
At 1 January 2013	753,062	(16,458)	51,992	120,984	909,580
Finance charges amortised during the year (note 5(a))	76,923	–	–	–	76,923
Interest paid and payable	(41,440)	–	–	–	(41,440)
Change in fair value	–	15,865	(12,595)	(45,111)	(41,841)
Exchange adjustments	(21,006)	238	(1,250)	(2,701)	(24,719)
At 31 December 2013	767,539	(355)	38,147	73,172	878,503
Finance charges amortised during the year (note 5(a))	**53,338**	**–**	**–**	**–**	**53,338**
Interest paid and payable	**(27,416)**	**–**	**–**	**–**	**(27,416)**
Change in fair value	**–**	**(1,798)**	**(30,856)**	**(19,007)**	**(51,661)**
Repurchase of convertible bonds	**(807,031)**	**2,160**	**(7,965)**	**(55,459)**	**(868,295)**
Exchange adjustments	**13,570**	**(7)**	**674**	**1,294**	**15,531**
At 31 December 2014	**–**	**–**	**–**	**–**	**–**

20 NON-CURRENT INTEREST-BEARING BORROWINGS *(Continued)*

(b) Significant terms and repayment schedule of non-bank borrowings *(Continued)*

(ii) Convertible bonds *(Continued)*

(a) Liability component of convertible bonds represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company. The effective interest rate of the liability component is 10.2% per annum. There was no outstanding convertible bonds as at 31 December 2014.

(b) Redemption call option represents the fair value of the Company's option to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other receivables" (note 15).

(c) Redemption put option represents the fair value of the options of the holders of the convertible bonds to early redeem all of the convertible bonds and is recorded as derivative financial instruments under "Trade and other payables" (note 18).

(d) Conversion option represents the fair value of the options of the holders of the convertible bonds to convert the convertible bonds into shares and is recorded as derivative financial instruments under "Trade and other payables" (note 18).

(e) The transaction costs for the issue of the convertible bonds amounted to RMB22,073,000. An amount of RMB17,626,000 was offset with the liability component of the convertible bonds and the remaining amount of transaction costs was charged to the statement of profit or loss during the year ended 31 December 2012.

21 AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

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

22 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Fujian Province whereby the Group is required to make contributions to the Scheme at rates which ranged from 14% to 18% of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

(Expressed in thousands of Renminbi unless otherwise indicated)

22 EMPLOYEE RETIREMENT BENEFITS *(Continued)*

Defined contribution retirement plans *(Continued)*

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the Scheme and the MPF scheme beyond the annual contributions described above.

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO share option scheme

Pursuant to the shareholders' written resolution passed on 10 June 2009, the Company adopted a Pre-IPO share option scheme ("the Pre-IPO Option") whereby 91 employees of the Group were given the rights to subscribe for shares of the Company. The subscription price per share pursuant to the Pre-IPO Option is HK$2.89, being 20% discount to the global offering price.

Each option granted under the Pre-IPO Option has a vesting period of one to three years commencing from the date of listing of the Company on the Hong Kong Stock Exchange and the options have a contractual life of about five years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) The terms and conditions of the grants are as follows:

	Number of instruments '000	Vesting conditions	Contractual life of options
Options granted to employees:			
– on 10 June 2009	3,024	One year from the date of listing of the Company's shares	5.1 years
– on 10 June 2009	6,114	Two years from the date of listing of the Company's shares	5.1 years
– on 10 June 2009	8,152	Three years from the date of listing of the Company's shares	5.1 years
Total share options granted	17,290		

(a) Pre-IPO share option scheme *(Continued)*

(ii) The number and exercise price of share options are as follows:

	2014 Exercise price	**2014** Number of options '000	2013 Exercise price	2013 Number of options '000
Outstanding at the beginning of the year	**HK$2.89**	**17,290**	HK$2.89	17,290
Forfeited during the year	**HK$2.89**	**(17,290)**	–	–
Outstanding at the end of the year		**–**	HK$2.89	17,290
Exercisable at the end of the year		**–**	HK$2.89	17,290

There was no outstanding share option as at 31 December 2014. The share options outstanding at 31 December 2013 had an exercise price of HK$2.89 and a weighted average remaining contractual life of 0.5 year.

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

	Options granted on 10 June 2009
Fair value of share options and assumptions	
Fair value at measurement date	HK$0.86
Share price	HK$2.14
Exercise price	HK$2.89
Expected volatility (expressed as weighted average volatility used in the modelling under binominal lattice model)	50.97%
Expected option life (expressed as weighted average life used in the modelling under binominal lattice model)	5 years
Expected dividends	2.80%
Risk-free interest rate	2.03%

(Expressed in thousands of Renminbi unless otherwise indicated)

23 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

(b) Share option scheme

The Company has also adopted a share option scheme ("the Share Option Scheme") pursuant to the shareholders' written resolution passed on 10 June 2009.

The maximum number of shares that may be granted under the Share Option Scheme and other share options schemes shall not exceed 10% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to that person in any 12-month period exceeds 1% of the number of shares of the Company in issue from time to time.

An option under the Share Option Scheme may be exercised in accordance with the terms of the scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

No share option has been granted under the Share Option Scheme during the year ended 31 December 2014 (2013: Nil).

24 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2014	2013
	RMB'000	RMB'000
Provision for PRC income tax for the year	**171,142**	131,090
Provisional income tax paid	**(105,303)**	(85,099)
	65,839	45,991
Balance of income tax provision relating to prior years	**80,535**	74,585
	146,374	120,576

24 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(Continued)

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Allowance for doubtful debts RMB'000	Withholding tax on dividends RMB'000	Expenses to be deductible on paid basis RMB'000	Income to be taxable on receipt basis RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2013	9,880	(19,384)	68,717	–	59,213
Credited/(charged) to profit or loss	38,000	–	(10,389)	–	27,611
At 31 December 2013	47,880	(19,384)	58,328	–	86,824
At 1 January 2014	47,880	(19,384)	58,328	–	86,824
(Charged)/credited to profit or loss	(27,842)	15,000	(20,330)	(3,814)	(36,986)
At 31 December 2014	20,038	(4,384)	37,998	(3,814)	49,838

Reconciliation to the consolidated statement of financial position

	The Group 2014 RMB'000	2013 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**49,971**	92,256
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(133)**	(5,432)
	49,838	86,824

(c) Deferred tax liabilities not recognised

At 31 December 2014, the Group has not recognised deferred tax liabilities of RMB188,943,000 (2013: RMB164,996,000) in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to RMB3,778,858,000 (2013: RMB3,299,928,000) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(Expressed in thousands of Renminbi unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
Balance at 1 January 2013		182,298	459,903	12,859	(101,455)	(65,663)	487,942
Changes in equity for 2013:							
Loss for the year		–	–	–	–	(46,523)	(46,523)
Other comprehensive income		–	–	–	(8,845)	–	(8,845)
Total comprehensive income for the year		–	–	–	(8,845)	(46,523)	(55,368)
Dividends declared and paid during the year	25(b)	–	(227,436)	–	–	–	(227,436)
Balance at 31 December 2013		182,298	232,467	12,859	(110,300)	(112,186)	205,138
Balance at 1 January 2014		182,298	232,467	12,859	(110,300)	(112,186)	205,138
Changes in equity for 2014:							
Profit for the year		–	–	–	–	172,810	172,810
Other comprehensive income		–	–	–	5,150	–	5,150
Total comprehensive income for the year		–	–	–	5,150	172,810	177,960
Equity-settled share-based transaction		–	–	(12,859)	–	12,859	–
Dividends declared and paid during the year	25(b)	–	(103,380)	–	–	–	(103,380)
Balance at 31 December 2014		182,298	129,087	–	(105,150)	73,483	279,718

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(b) Dividends

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

	2014 **RMB'000**	2013 RMB'000
Interim dividend declared and paid of RMB5.0 cents per ordinary share (2013: RMB4.0 cents per ordinary share)	**103,380**	82,704
Final dividend proposed after the end of the reporting period of RMB3.0 cents per ordinary share (2013: RMB Nil cents per ordinary share)	**62,028**	–
	165,408	82,704

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

	2014 **RMB'000**	2013 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB Nil cents per ordinary share (2013: RMB7.0 cents per ordinary share)	**–**	144,732

(c) Share capital

	2014		2013	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000

(Expressed in thousands of Renminbi unless otherwise indicated)

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(c) Share capital *(Continued)*

	Number of shares '000	Amount HK$'000	RMB'000
Ordinary shares, issued and fully paid:			
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	2,067,602	206,760	182,298

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Terms of unexpired and unexercised share options at the end of the reporting period:

Date of options granted	Exercise period	Exercise price	Number of options outstanding 2014 '000	2013 '000
10 June 2009	30 June 2010 to 30 June 2014	HK$2.89	–	3,024
10 June 2009	30 June 2011 to 30 June 2014	HK$2.89	–	6,114
10 June 2009	30 June 2012 to 30 June 2014	HK$2.89	–	8,152
			–	17,290

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 23 to the financial statements.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Capital reserve

On 9 June 2009, 361 Enterprise Company Limited entered into an agreement with a shareholder of the Company whereby repayment of amounts due to the shareholder by 361 Enterprise Company Limited totalling HK$177,216,000 (equivalent to RMB156,252,000) was waived. The waiver of repayment was reflected as a reduction in the amounts due to a shareholder of the Company and a corresponding increase in capital reserve.

(iii) Other reserve

On 25 July 2008, the then shareholders transferred the entire equity interest in Sanliuyidu (Fujian) Sports Goods Co., Ltd. and the business of Sanliuyidu (Hong Kong) Sports Goods Co., Ltd. to 361 Enterprise Company Limited for cash consideration of HK$1. The difference between the historical carrying value of equity acquired and acquisition consideration is treated as an equity movement and recorded in "Other reserve".

On 23 December 2013, 361 Degrees Kids Wear Limited allotted shares to non-controlling interests, which represented 13% of its enlarged share capital, and received a total consideration of RMB16,225,000. The difference between the net assets shared by the non-controlling interests and consideration received was treated as an equity movement and recorded in "Other reserve".

(iv) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

25 CAPITAL, RESERVES AND DIVIDENDS *(Continued)*

(e) Nature and purpose of reserves *(Continued)*

(v) Share option reserve

The share option reserve comprises the fair value of the actual or estimated number of unexercised share options granted under the Pre-IPO share option scheme recognised in accordance with the accounting policy accepted for share-based payments in note 1(p)(ii).

(vi) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of entities with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(f) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB97,420,000 (2013: RMB9,981,000). After the end of the reporting period, the directors proposed a final dividend of RMB3.0 cents (equivalent to HK3.7 cents) (2013: RMB Nil) per ordinary share, amounting to RMB62,028,000 (2013: RMB Nil). This dividend has not been recognised as a liability at the end of the reporting period.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation. The Group's gearing ratio, being the Group's interest-bearing debt over its total assets, as at 31 December 2014 was 18% (2013: 11%).

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, commodity price and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade debtors, bills receivable and deposits, prepayments and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors and bills receivable are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 1 year from the date of billing are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 14% (2013: 18%) and 44% (2013: 44%) of the total trade debtors and bills receivable were due from the Group's largest customer, and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(Expressed in thousands of Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	2014 Contractual undiscounted cash outflow					2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans	**16,312**	**–**	**–**	**16,312**	**15,311**	16,291	–	16,291	15,898
Senior unsecured note	**112,500**	**112,500**	**1,612,500**	**1,837,500**	**1,484,869**	–	–	–	–
Convertible bonds	**–**	**–**	**–**	**–**	**–**	40,891	919,948	960,839	767,539
Trade and other payables	**1,831,747**	**–**	**–**	**1,831,747**	**1,831,747**	1,350,571	–	1,350,571	1,350,571
Total	**1,960,559**	**112,500**	**1,612,500**	**3,685,559**	**3,331,927**	1,407,753	919,948	2,327,701	2,134,008

The Company

	2014 Contractual undiscounted cash outflow					2013 Contractual undiscounted cash outflow			
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Convertible bonds	**–**	**–**	**–**	**–**	**–**	40,891	919,948	960,839	767,539
Senior unsecured note	**112,500**	**112,500**	**1,612,500**	**1,837,500**	**1,484,869**	–	–	–	–
Other payables	**37,533**	**–**	**–**	**37,533**	**37,533**	12,962	–	12,962	12,962
Amounts due to subsidiaries	**27,683**	**–**	**–**	**27,683**	**27,683**	27,683	–	27,683	27,683
Total	**177,716**	**112,500**	**1,612,500**	**1,902,716**	**1,550,085**	81,536	919,948	1,001,484	808,184

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, senior unsecured notes, convertible bonds, pledged bank deposits, deposits with banks and cash and cash equivalents. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-generating financial liabilities less cash at bank and in hand and pledged bank deposits) at the end of the reporting period.

The Group

	2014		2013	
	Effective interest rate %	**Amount RMB'000**	Effective interest rate %	Amount RMB'000
Fixed rate borrowings/(deposits)				
Deposits with banks	**3.30 – 3.80**	**(1,800,000)**	1.50 – 2.86	(321,747)
Cash and cash equivalents	**2.86 – 4.00**	**(809,593)**	0.39 – 0.96	(102,203)
Senior unsecured notes	**8.42**	**1,484,869**	–	–
Convertible bonds	**–**	**–**	10.18	767,539
Pledged bank deposits	**0.39 – 3.10**	**(175,895)**	–	–
		(1,300,619)		343,589
Variable rate borrowings/(deposits)				
Pledged bank deposits	**–**	**–**	0.50 – 3.30	(37,900)
Cash and cash equivalents	**0.001 – 1.265**	**(1,315,363)**	0.001– 1.310	(2,386,824)
Bank loans	**2.47**	**15,311**	2.47	15,898
		(1,300,052)		(2,408,826)
Total net deposits		**(2,600,671)**		(2,065,237)

(Expressed in thousands of Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile *(Continued)*

The Company

	2014		2013	
	Effective interest rate %	Amount RMB'000	Effective interest rate %	Amount RMB'000
Fixed rate borrowings/(deposits)				
Deposits with banks	–	–	1.96	(121,268)
Senior unsecured notes	8.42	1,484,869	–	–
Convertible bonds	–	–	10.18	767,539
		1,484,869		646,271
Variable rate deposits				
Cash and cash equivalents	0.001 – 0.385	(918)	0.001 – 1.000	(8,880)
Total net borrowings		1,483,951		637,391

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB9,817,000 (2013: RMB18,405,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2013.

(d) Commodity price risk

The major raw materials used in the production of the Group's products include leathers, polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(e) Currency risk

The Group is exposed to currency risk primarily through bank deposits, convertible bonds and senior unsecured notes that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD"), United States dollars ("USD") and Renminbi. In respect of the convertible bonds denominated in USD issued by the Company, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant as the HKD is pegged to the USD.

(i) Exposure to currency risk

The following table details the Group's and the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The Group

	Exposure to foreign currencies (expressed in RMB)				
	2014			2013	
	Hong Kong dollars RMB'000	**United States dollars RMB'000**	**Renminbi RMB'000**	Hong Kong dollars RMB'000	United States dollars RMB'000
Cash and bank deposits	**51,070**	**25,958**	**–**	34,620	125,625
Trade receivable	**–**	**1,726**	**–**	–	–
Convertible bonds	**–**	**–**	**–**	–	(767,539)
Senior unsecured notes	**–**	**–**	**(1,484,869)**	–	–
Net exposure arising from recognised assets and liabilities	**51,070**	**27,684**	**(1,484,869)**	34,620	(641,914)

(Expressed in thousands of Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Currency risk *(Continued)*

(i) Exposure to currency risk *(Continued)*

The Company

	Exposure to foreign currencies (expressed in RMB)			
	2014		2013	
	Renminbi RMB'000	**United States dollars RMB'000**	Renminbi RMB'000	United States dollars RMB'000
Amounts due to subsidiaries	**(27,683)**	**–**	(27,683)	–
Convertible bonds	**–**	**–**	–	(767,539)
Senior unsecured notes	**(1,484,869)**	**–**	–	–
Net exposure arising from recognised assets and liabilities	**(1,512,552)**	**–**	(27,683)	(767,539)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax and retained profits that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	2014		2013	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000
Hong Kong dollars	**5%**	**1,915**	5%	1,298
	(5)%	**(1,915)**	(5)%	(1,298)
Renminbi	**5%**	**(74,243)**	–	–
	(5)%	**74,243**	–	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2013.

(f) Equity price risk

At 31 December 2013, the Group is exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of derivatives or other financial liabilities of the Group. As at 31 December 2013, the Group is exposed to this risk through the conversion rights attached to the convertible bonds issued by the Company as disclosed in note 20. All convertible bonds were repurchased in current year and the Group is not exposed to equity price risk as at 31 December 2014.

At 31 December 2013, it is estimated that an increase/(decrease) of 12% in the Company's own share price, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits as follows:

The Group

	2013	
		Effect on profit after tax and retained profits RMB'000
Change in the relevant equity price risk variable:		
Increase	12%	18,455
Decrease	(12)%	(13,704)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(f) Equity price risk *(Continued)*

The sensitivity analysis indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the changes in relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period.

(g) Fair values

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The Group engaged an external valuer to perform valuations for the financial instruments, including redemption call and put options and conversion option embedded in the convertible bonds which are categorised into Level 3 of the fair value hierarchy. The external valuer reports directly to the chief financial officer. A valuation report with analysis of changes in fair value measurement is prepared by external valuer at each interim and annual reporting date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer is held twice a year, to coincide with the reporting dates.

(g) Fair values *(Continued)*

(i) Financial assets and liabilities measured at fair value *(Continued)*

Fair value hierarchy (Continued)

At 31 December 2013, the only financial instruments of the Group and the Company carried at fair value were the redemption call and put options and the conversion option embedded in the convertible bonds (see note 20). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 3 of the fair value hierarchy described above.

During the year ended 31 December 2014 and 2013, there were no transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurement

The fair values of the redemption call and put options and the conversion option embedded in the convertible bonds are determined using a binomial lattice model and the significant unobservable input used in the fair value measurement is expected volatility. The fair value measurement is positively correlated to the expected volatility. As at 31 December 2013, the expected volatility used in valuation is 41.9% and it is estimated that with all other variables held constant, an increase/decrease in the expected volatility by 5.0% would have increased/decreased the Group's profit after tax by RMB12,576,000 and RMB11,966,000 respectively.

The movements during the period in the balance of these Level 3 fair value measurement are disclosed in note 20.

The net unrealised gains arising from the remeasurement of the redemption call and put options and the conversion option embedded in the convertible bonds are recognised in the consolidated statement of profit or loss.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 2013.

(Expressed in thousands of Renminbi unless otherwise indicated)

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(h) Business risk

The Group's primary business is the design, manufacturing and distribution of branded sports footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

27 COMMITMENTS

(a) Contractual commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014 **RMB'000**	2013 RMB'000
Advertising and marketing expenses	**206,730**	409,118

(b) Capital commitments outstanding at 31 December 2014 not provided for in the financial statements were as follows:

	2014 **RMB'000**	2013 RMB'000
Contracted for	**11,156**	9,845

(c) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**11,517**	14,041
After 1 year but within 5 years	**5,716**	12,010
After 5 years	**863**	1,380
	18,096	27,431

The Group is the leasee in respect of a number of warehouses and offices held under operating leases. The leases run for an initial period of one to eight years with options to renew the lease when all terms are renegotiated. None of the leases include contingent rentals.

28 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in elsewhere in the consolidated financial statements, the Group enter into the following related party transactions:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	**28,816**	29,718
Post-employment benefits	**673**	1,159
	29,489	30,877

Total remuneration is included in "staff costs" (see note 5(b)).

On 23 December 2013, three of the key management personnel subscribed the shares of 361 Degrees Kids Wear Limited, which represented 6% of its enlarged share capital, at fair value with total consideration of RMB7,489,000.

(Expressed in thousands of Renminbi unless otherwise indicated)

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to HKFRSs 2010-2012 cycle	1 July 2014
Annual improvements to HKFRSs 2011-2013 cycle	1 July 2014
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2017
HKFRS 9, *Financial instruments*	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application but is not yet in a position to state whether these amendments would have a significant impact on the consolidated financial statements.

361 DEGREES INTERNATIONAL LIMITED INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY