361°

361 DEGREES INTERNATIONAL LIMITED
361度國際有限公司
Stock Code 股份代號：1361

INTERIM REPORT 2015 中期報告

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)
Tsui Yung Kwok (徐容國)
Liao Jianwen (廖建文)

BOARD COMMITTEES

Audit Committee

Yan Man Sing Frankie (甄文星) *(Chairman)*
Tsui Yung Kwok (徐容國)
Liao Jianwen (廖建文)

Remuneration Committee

Liao Jianwen (廖建文) *(Chairman)*
Wang Jiabi (王加碧)
Yan Man Sing Frankie (甄文星)

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

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Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

361° Building
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the PRC

FACTORIES IN THE PRC

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

COMPANY WEBSITE

www.361sport.com

Financial Highlights

FINANCIAL PERFORMANCE

Turnover increased by 5.7% to RMB2,208.3 million

Gross profit increased by 9.7% to RMB911.3 million

Operating profit increased by 34.4% to RMB485.5 million

Profit attributable to the equity shareholders was RMB269.6 million, representing an increase of 22.3%*

BUSINESS PERFORMANCE

Total number of *361°* Sport's outlets increased from 7,319 to 7,404

Total number of *361°* kids' points-of-sale increased from 2,142 to 2,328 of which 1,116 were in *361°* composite stores

361° Kids revenue accounted for 10.6% of the Group's turnover

Gross profit margin increased by 1.6 percentage point to 41.3%

Basic earnings per share is RMB13.0 cents, representing an increase by 22.6%*

Resolved to declare an interim dividend of RMB5.0 cents (HK6.2 cents) per share

Last date of registration for shareholders' entitlements to 2015 interim dividend: 26 August 2015

Payment date of 2015 interim dividend: on or about 8 September 2015

* The amount of profit attributable to equity shareholders in 2014 used for calculation was RMB220.4 million, excluding the net change in fair value and loss on repurchase of convertible bonds in 2014

Financial Summary

	For the six months ended 30 June 2015	2014
Profitability Data (RMB'000)		
Turnover	**2,208,344**	2,090,076
Gross profit	**911,342**	830,710
Operating profit	**485,503**	361,144
Profit attributable to equity shareholders	**269,585**	220,362*
Earnings per share		
– basic (RMB cents)	**13.0**	10.6*
Profitability Ratios (%)		
Gross profit margin	**41.3**	39.7
Operating profit margin	**22.0**	17.3
Margin of profit attributable to equity shareholders	**12.2**	10.5*
Effective tax rate	**35.5**	30.5**
Return on shareholders equity *(Note 1)*	**5.3**	5.5
Operating Ratios (as percentage of turnover) (%)		
Advertising and promotional expenses	**12.2**	14.3
Administrative staff costs	**1.7**	1.5
Research and development	**2.5**	2.5

Note:

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

* The amount of profit attributable to equity shareholders used for calculation was RMB220.4 million, excluding the net change in fair value and loss on repurchase of convertible bonds in 2014.

** The amount of profit before taxation used for calculating the effective tax rate was RMB325.8 million, excluding the net change in fair value and loss on repurchase of convertible bonds in 2014.

Financial Summary

	As at 30 June 2015	As at 31 December 2014
Assets and Liabilities data (RMB'000)		
Non-current assets	**1,336,874**	1,310,338
Current assets	**7,563,508**	7,224,394
Current liabilities	**2,161,936**	2,012,784
Non-current liabilities	**1,489,952**	1,485,002
Equity attributable to equity shareholders	**5,173,627**	4,965,041
Non-controlling interests	**74,867**	71,905
Asset and Working Capital data		
Current asset ratios	**3.5**	3.6
Gearing ratios (%) *(Note 2)*	**16.9**	17.6
Net asset value per share (RMB) *(Note 3)*	**2.5**	2.4
Inventory turnover days (days) *(Note 4)*	**80**	77
Trade and bills receivables turnover days (days) *(Note 5)*	**149**	167
Trade and bills payables turnover days (days) *(Note 6)*	**183**	169
Working capital turnover days (days)	**46**	75

Notes:

2) 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 period/year.

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

4) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 181 days (for the six months ended 30 June 2015) and 365 days (for the year ended 31 December 2014).

5) Trade and bills receivables turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by turnover and multiplied by 181 days (for the six months ended 30 June 2015) and 365 days (for the year ended 31 December 2014).

6) Trade and bills payables turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 181 days (for the six months ended 30 June 2015) and 365 days (for the year ended 31 December 2014).

Management Discussion and Analysis

INDUSTRY REVIEW

Against the backdrop of an economy that remained soft, with GDP growth being reported as 7% for the first half of 2015, the Central Government in China continued to loosen monetary policies with three successive rate cuts and a relaxation in the mandatory bank deposit reserves in a broad effort to improve liquidity and stimulate the business environment. It is far too early to see tangible results but during the course of the preparation of this interim report, much of the liquidity has been drawn towards the stock markets as property prices remained generally subdued. Unlike most developed economies, the stock markets in China are driven by individual investors and over the recent months, stock prices have gone through a roller-coaster ride, requiring the regulatory authorities to come up with a host of fiscal measures to stem the downfall.

According to the National Bureau of Statistics, consumption accounted for 60% of China's GDP in the first half of 2015, a laudable achievement in which retail sales of consumer goods grew 10.4% on a year-on-year basis. If this pattern is sustained throughout the rest of 2015, the fundamentals for the sportswear industry will remain as sound as ever. Strong economic growth over the last two decades have created a country in which half of the 1.4 billion people now live in cities and as many as 250 million are now considered to be in the middle class income group. Although consumption will still be discretionary, and there has been no strong resurgent demand, a fast-growing middle class is increasingly more mindful of a healthier lifestyle and is taking on recreational and sporting activities in numbers not previously seen.

To a large extent, this is not only encouraged by the Central Government but also made easier by reforms governing the sports industry. Once under the General Administration of Sport of China, policies determining organization and participation have largely been abolished as a more mature society is left free to set its own agenda. With a swiftly ageing working population which is expected to eventually pose challenges to the state-run healthcare sector, the State Council has drawn up a policy target where it is envisaged that, by 2025, as many as 500 million people within the population will be deemed frequent participants of sporting activities.

The downturn in the sportswear industry in the last three years has had its tolls. Smaller players have lost market share or fallen by the wayside. Burdened by increasing cost of labor, and the challenge of retaining such in the face of dwindling orders, many smaller brands which began life as original equipment manufacturers ("OEMs") for third parties, are now struggling to remain meaningful and will continue to lose momentum. Yet there is a greater challenge in the horizon.

The retail landscape in China is changing rapidly, with online sales becoming increasingly popular. In their March 2015 report, Knight Frank estimated that online retail sales surged as much as 54% in 2014 to RMB2.8 trillion. This is broadly equivalent to about 10.6% of all retail sales, up from 7.6% in 2013.

Competing in most cases, solely on price, these web-only sites are not saddled with offline costs and appeal particularly well to a younger generation of consumers who have grown up with mobile computing. The threat remains real and offensive, even if most sales are still generated through the traditional brick-and-mortar stores. Sportswear companies, struggling with excessive inventories in recent years, have resorted to the use of the likes of Tmall, JD.com etc as clearance channels, to the neglect of a clear coherent internet strategy.

On the other hand, Western apparel and fast fashion brands which have flooded the Chinese market in recent years, do not have many physical stores and have quickly adapted a migration path to online sales, allowing them to reach a bigger customer base than their retail networks can serve. Given the good infrastructure in China, logistics is no longer a major issue. Payment systems have also greatly improved. With a better surveillance against counterfeit goods, internet sales will prove to be even more popular in the future. Belatedly, but not critically, most sportswear companies are now mindful of this challenge and have begun to devise their own product and price strategy.

BUSINESS REVIEW

Business Model

In the period under review, the business model used by the Group remains unchanged. The exclusive group of 31 single-brand only distributors with geographical rights continued to exercise control over the 3,116 retailers who run franchised store outlets.

The Group believes that this exclusivity amongst its distributors is one of the key reasons for the success of the brand as it allows maximum flexibility at the provincial level for local city promotions, re-juggling of inventories within retailers and standardized pricing. All distributors are organized and operate as limited liability companies with their financial statements produced and reviewed before their contracts are renewed on an annual basis.

The Group now operates four Trade Fairs a year for the main brand, in which all franchised retailers are required to attend and choose their merchandise. These orders, when finalized, are consolidated at the level of the distributors, who in turn, will place such orders with the Group. These Fairs are held ahead of their respective display and sale seasons to allow the orders to be produced and delivered to the distributors, at which point revenue is recognized. In general, there is 100% fulfillment of orders and no re-ordering is allowed, on account of its likely low volume and disproportionate costs.

In the first half of 2015, the Group organized two such trade fairs, with the following results:

Delivery Period	Winter 2015 From August 2015	Spring 2016 From November 2015
% Growth (compared against the same fair last year)	18%	15%

Brand Positioning

The Group's major brand, *361°* was conceived in 2003 as a brand that promises to go one degree beyond the perfect circle, implying that it strives for excellence and tries ever harder to achieve its goals. Together with its tagline "多一度熱愛" meaning in Chinese, "One Extra Degree of Passion" it seeks to be a brand that is passionate about its mission, namely to promote sports to all enthusiasts and to create a healthy and caring society. As a relatively new brand in the market then, it took the opportunity to associate with several major multi-sport international events which were organized in China as a platform to create brand awareness and elevate its status.

In this regard, *361°* has been successful as it became the official sportswear for the 16th Asian Games in Guangzhou in 2010, the 26th Summer Universiade in Shenzhen in 2011 and the 2nd Youth Olympic Games in Nanjing in 2014. All these are high-profile events in China which came after a nation has awakened to the joys of sport following the 2008 Beijing Summer Olympic Games and it is unlikely that any international event of a similar scale, before the 2022 Winter Olympics return to the Chinese arena.

Being a major official sponsor meant that the members of the Organizing Committee, the torch-bearers, the referees and umpires, as well as the huge army of volunteers all wore specially-designed uniform for the Games, brandishing the brand to a new level of recognition as "live" telecasts were beamed into the living rooms all across China, with the *361°* logo often very prominent in the background.

As the brand became widely known, the Group embarked on a second phase of brand development by signing up celebrity athletes who could act as its sports ambassadors. However, this endeavor is as much about opportunity as it is about spending power. Most of the leading names in the various sports are invariably under contract but the Group has done well to sign up Sun Yang, the double gold medallist in the 2012 London Olympics as well as the current swimming world record holder for 1,500 metres freestyle. Not only is he young and Chinese, his excellent performance in his chosen sport and a "dare-to-be-different" approach epitomizes some of the core values of the *361°* brand.

361° also sponsored the 2014 17th Asian Games in Incheon, South Korea, building on its successful footing in Guangzhou and in 2016, it will be a Tier-2 supporter of the 2016 Rio Summer Olympics and Paralympic Games, a fitting tribute to a brand that is now seeking international recognition.

As with all such event sponsorships, the costs are amortized over the period of the contract, so that there is no uneven bearing on the profitability in any one year.

As has been in the case in the past, *361°* continued to sponsor the Chinese national cycling and swimming teams, a collaboration in which feedback from the athletes could contribute to the research and development of new products. *361°* also sponsors the apparel for the national curling teams of Sweden, the men's team of which won the championship in the World Men's Curling Championship 2015 held in Halifax, Canada in March 2015.

Management Discussion and Analysis

Sponsorships of professional sports events

The following is a full list of existing sponsorships:

Time	Event	Capacity
2010–2015	*361°* Men/Women's National Volleyball Tournament Series	Sole Title Sponsor
2013–2017	World Women's Curling Championship	Designated Apparel Sponsor
	World Men's Curling Championship	Designated Apparel Sponsor
2013–2016	World Wushu Championships	Prestige Partner
	World Junior Wushu Championships	Prestige Partner
2014–2018	Jinmen Marathon	Designated Sportswear Sponsor
2014–2016	Rio 2016 Olympic and Paralympic Games	Official Tier-2 Supporter

361° Kids

This is a dedicated brand catering for children between the ages of 5 and 12, with an emphasis on sporting designs. It was launched in 2010 as an independent business unit and has since grown to contribute over 10% of the Group's revenue.

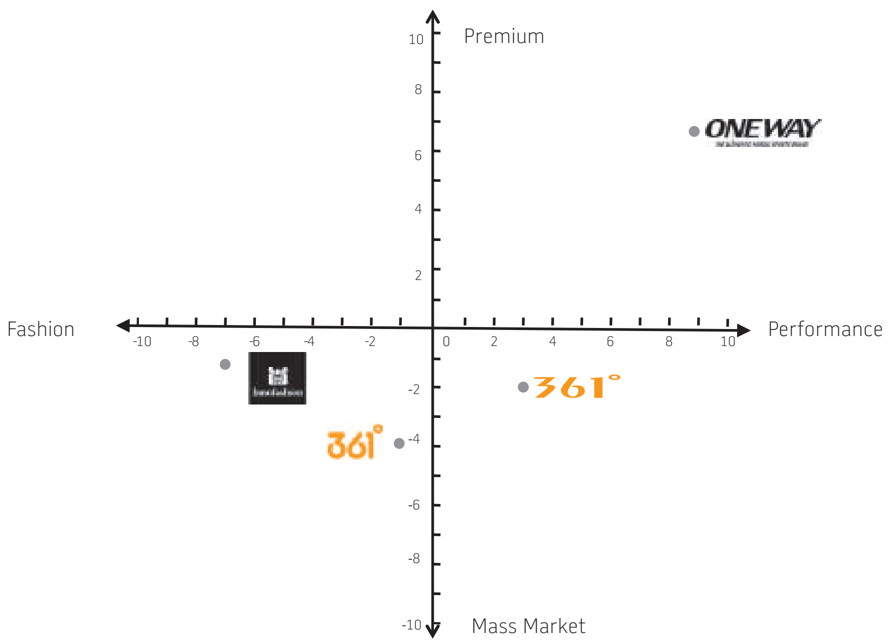
Innofashion

This is a sub-brand of the *361°* Group that specializes in urban wear that was specially created for a market segment that seeks a more individualistic identity.

One Way

361° owns 70% of the equity of the company that owns the rights to this brand for the Greater China Region. One Way is a Nordic brand that specializes in the winter sports of skiing, skating and mountain trail hiking and biking.

Brand Positioning



Management Discussion and Analysis

Sales and Distribution Network

As at the end of June 2015, the network of the *361°* Group comprises 7,404 outlets, of which about 80% are stand-alone, street-level stores. 1,459 of these stores operate as "3-in-1" or "2-in-1" stores, meaning they also carry the merchandise of the *361°* Kids and Innofashion brands.

Authorized retail outlets by regions:

	As at 30 June 2015		As at 31 December 2014	
	Number of *361°* authorized retail outlets	% of total number of *361°* authorized retail outlets	Number of *361°* authorized retail outlets	% of total number of *361°* authorized retail outlets
Eastern region(1)	**1,791**	**24.2**	1,777	24.3
Southern region(2)	**1,180**	**15.9**	1,181	16.1
Western region(3)	**1,540**	**20.8**	1,474	20.1
Northern region(4)	**2,893**	**39.1**	2,887	39.5
Total	**7,404**	**100**	7,319	100

Notes:

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

Management Discussion and Analysis

The Group operates a uniform front-end sales module, known as e-POS (electronic point-of-sale) system which download such sales data as product code, retail sales value, quantity and relevant data into a pool, which is then mined for further analysis of sales trends, customer preferences, etc. As at 30 June, 2015, about 5,152 outlets have installed this e-POS system, enabling their data to be analyzed and key operational data summarized on a quarterly basis and disseminated to investors through an announcement published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company in accordance with prevailing rules.

A summary of such announcements for the first two quarters of 2015 is set out below:

FY2015	1st Quarter	2nd Quarter
Same store sales growth	6.3%	7.2%
Retail discount	27%	28%
Channel inventory	4.1x	4.0x
Sample size*	3,772	3,707

* Sample size refers to the number of stores which have installed the e-POS system and have been in operation for more than 24 months

It is evident that the measures adopted by the Group over the last two years have begun to bear fruit at a time when the industry slowly recovers. These measures include a better pricing system, a reduced level of SKUs (store keeping units), a stronger store image and format and a higher level of training for the retailers, who can now operate profitably and strive for a higher productivity. With same store sales growth improving for seven successive quarters since the last quarter of 2013, it is understandable that retailers' renewed confidence in the industry began to grow and this in turn has translated into higher orders for the future, as the two trade fairs held in this first half would suggest.

For its part, the Group has spared no efforts to improve on the quality and design of its products. Having drastically reduced its product portfolio, from a high of over 1,000 new models at the trade fairs held in a year down to approximately 700 now, its in-house design team has spent more time concentrating on the Group's better-selling lines which include the running and cross-training shoes as well as the outdoor footwear series. A growing trend in the industry has been the incorporation of performance fabrics into the upper of the shoe and further variations in the outsole with different levels of cushioning and grip qualities on a range of surfaces.

In apparel, design continues to be important although the Group has carefully decided to concentrate on performance fabrics as its preferred choice of material, in order to differentiate itself from the products of fast fashion.

361° Kids

As at 30 June, 2015, there are 2,328 points-of-sale offering the *361°* Kids products, of which 1,116 operate in composite stores. This latest retail format has proven to be quite popular as it enables the *361°* Kids merchandise to be available in the more traditional shopping streets whereas an independent stand-alone store is often in the quieter areas.

During the first half of 2015, there was one trade fair organized, namely the 2015 Fall/Winter Fair which produced a 15% growth in orders, compared with the same fair last year.

Management Discussion and Analysis

From its humble beginnings in 2010, the *361°* Kids now has outlets all across the country, as is evident in the following map:

	As at 30 June 2015		As at 31 December 2014	
	Number of *361°* Kids authorized points-of-sale	% of total number of *361°* Kids authorized points-of-sale	Number of *361°* Kids authorized points-of-sale	% of total number of *361°* Kids authorized points-of-sale
Eastern region(1)	**764**	**32.9**	623	29.1
Southern region(2)	**506**	**21.7**	495	23.1
Western region(3)	**368**	**15.8**	352	16.4
Northern region(4)	**690**	**29.6**	672	31.4
Total	**2,328**	**100**	2,142	100

Notes:

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

Management Discussion and Analysis

361° International

361° started its international business last year, under the direction of a seasoned professional. Its initial target markets are Brazil and the United States. In Brazil, it is working with an importer-distributor and in the United States, a wholly-owned subsidiary, *361°* USA, takes charge of direct sales to specialist retailers.

As of this date of this report, *361°* USA has launched a limited series of running shoes, one of which, the *361°* Sensation has won critical acclaim, including being nominated as a "Best Buy" in Runners' World, a specialist magazine for running enthusiasts. The *361°* team is carrying out a number of campaigns at the grass-root level by working with fitness instructors and running clubs to appeal directly to the end-users.

One Way

In One Way, *361°* runs the business itself and has so far opened up outlets in department stores in nine Chinese cities, including Beijing and Shanghai. The brand sells on its technical superiority, with its apparel using very high performance fabrics for use in extreme weather, a superior advantage which has been widely acknowledged by skiing athletes. One Way will stand to benefit from the publicity given to winter sports that will inevitably come as Beijing has just been awarded the 2022 Winter Olympic Games in July 2015.

E-Commerce

In the first half of 2015, the Group has clearly defined its e-commerce strategy which will be the foundation of its future products and policies. It has chosen an e-commerce company to be its sole distributor and co-ordinator of its online sales. Known in Chinese as "多一度" of "One Extra Degree" this Quanzhou-based company is authorized to sell web-only products as well as acting as a central clearance channel for the Group's slow-moving merchandise. The target is to maintain a balanced 50:50 ratio between these two major groups although in the longer run, new and web-only products are likely to dominate.

Web-only products include those that are specially commissioned for the internet; these often being rather basic in design and quality but are attractively priced, as well as those specially developed as "smart" products. As an example, in March, the Group launched a "smart" shoe for Kids, which it has jointly developed with Baidu Inc. The "smart" shoe has GPS tracking facilities with a downloadable app for the mobile phone. Targeted for children between the ages of 3 and 10, it has a Mediatek-made chip embedded in the sole of the right shoe and sufficiently well cushioned by the insole to still allow comfort and durability. Baidu operates a program under its Big Data cloud which enables an individual child to be measured up against his or her peers.

Production, Product Design and Development

There has been no change in the Group's production policy which is to strike an equitable balance between self-production and OEMs, having regards to cost, production scheduling and intellectual property rights. Generally speaking, the Group manufactures up to about 70% of its own requirements by drawing on its two factories, located in Jiangtou and Wuli, and outsources the balance to a number of smaller factories in the Quanzhou area. For apparel, the Group operates two workshops that have the capacity to produce 20% of the requirements whilst the balance is contracted to specialists in the Fujian, Zhejiang and Guangdong provinces.

The Group maintains its own design teams in Quanzhou and Xiamen and also has a collaboration partnership with the Beijing Institute of Technology. Performance fabrics are of a special interest to sporting brands and in recent times, advantage has been taken to incorporate the latest fabrics to enhance functionality for different sports. Each performance fabric carries its own characteristics and examples of such usage include Teflon (heat resistant to extreme temperatures, water-proof) and Sorona (warm, light and porous).

The Group also builds on its own technologies such as SAC-air, NFO and Archlock to tailor each product group in footwear to specific functionalities so as to enhance performance. At 30 June 2015, the Group has obtained 117 patents. There was a total of 120 research and development staff for footwear, another 145 for apparel and others.

The Group's spending on research and development has been edging upwards in recent years, now accounting for 2.5% of turnover for the period to 30 June 2015 and is likely to increase further, as efforts intensify in order to create a more distinctive product differentiation.

FINANCIAL REVIEW

Turnover

During the period under review, the Group recorded turnover of RMB2,208.3 million (2014: RMB2,090.0 million). The increase of 5.7% was mainly due to the 11% increase in the order book of 2015's spring/summer trade fair year-on-year however the belated deliveries of 2013's winter products broadened the base of 2014's turnover thus diluted the percentage growth in this period.

The business of footwear and accessories increased by 16.0% and 5.5%, respectively, whereas apparel decreased by 3.5%. In 2014's turnover, a higher proportion of 2013's winter apparel and accessories were blended because of the late coming winter in 2013. The delivery schedule in the first six months of 2015 was more normal than the previous year. About 85% of 2015's spring/summer products were fully delivered. Deliveries in the second half of this year will be mainly the 2015's autumn and winter products. Sales momentum continues in retail stores which encourages both distributors and retailers to increase the amount of order. The order book for the most recent trade fair for 2016 spring products held in June recorded a growth by 15%.

The average wholesale selling price ("AWP") and the total units sold of footwear both recorded increase by 8.5% and 7.0%, respectively. On the other hand, the total units sold of apparel recorded a downturn by 10.1% while the AWP increased by 7.3%. Although the sales volume of apparel dropped as a result of less products having been delivered in the period, the continuous improvement on the quality of products allowed a room for price increase on the AWP of 2015's spring apparel which outweighed the changes and made a positive growth in the period. For accessories, the Group always regards this category of products as a complimentary to the core sales. During this period, the Group intentionally reduced the AWP to induce a higher sales volume.

The revenue of *361°* Kids for the six months ended 30 June 2015 increased by 8.3% to RMB233.5 million, accounted for 10.6% of the Group's turnover. The growth driver was from sales volume with an increase by 18.4% whereas the AWP recorded a downturn by 8.5%. Such decrease was mainly from apparel products. Again, owing to the late winter in 2013, a higher volume of winter apparels were delivered in beginning of 2014 thus pushing up the AWP for the six months ended 2014. As the revenue of apparel accounted for about 65% of the total kids' turnover, the changes affected the overall AWP.

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

	For the six months ended 30 June				
	2015		2014		
	RMB'000	**% of Turnover**	RMB'000	% of Turnover	Changes %
By Products					
Adults					
Footwear	**968,818**	**43.8**	834,864	39.9	+16.0
Apparel	**968,827**	**43.9**	1,004,334	48.1	-3.5
Accessories	**37,207**	**1.7**	35,283	1.7	+5.5
Kids	**233,492**	**10.6**	215,595	10.3	+8.3
Total	**2,208,344**	**100**	2,090,076	100	+5.7

Management Discussion and Analysis

The following table sets forth the number of units sold and the average wholesale selling prices ("AWP") of the Group's products during the period under review:

	For the six months ended 30 June					
	2015		2014		Changes	
	Total units sold '000	**Average wholesale selling price(1) RMB**	Total units sold '000	Average wholesale selling price(1) RMB	Units sold (%)	Average wholesale selling price (%)
By Volume and AWP						
Adults						
Footwear (pairs)	**10,532**	**92.0**	9,845	84.8	+7.0	+8.5
Apparel (pieces)	**14,315**	**67.7**	15,924	63.1	-10.1	+7.3
Accessories (pieces/pairs)	**2,298**	**16.2**	1,908	18.5	+20.4	-12.4
Kids	**4,004**	**58.3**	3,383	63.7	+18.4	-8.5

Note:

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

Management Discussion and Analysis

Cost of Sales

Cost of sales of the Group for the first half of 2015 increased by 3.0% to RMB1,297.0 million.

During the period under review, the per unit cost of raw material consumption for self-produced products reduced year-on-year which was benefited from the continuous decline on certain key material prices in the market. Although the labor cost increased, the reduction of overhead cost helped lower the overall cost of self-production. Besides, the pricing of outsourced footwear could largely be maintained despite the cost of outsourced apparel having increased. As a result, the total cost of sales reduced from 60.3% to 58.7%.

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

	For the six months ended 30 June			
	2015		2014	
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales
Footwear & Apparel				
Internal Production				
Raw materials	**263,617**	**20.3**	319,653	25.4
Labour	**82,839**	**6.4**	79,992	6.4
Overheads	**158,827**	**12.3**	189,454	15.0
	505,283	**39.0**	589,099	46.8
Outsourced Products				
Footwear	**280,742**	**21.6**	183,317	14.5
Apparel	**486,653**	**37.5**	464,776	36.9
Accessories	**24,324**	**1.9**	22,174	1.8
	791,719	**61.0**	670,267	53.2
Cost of sales	**1,297,002**	**100**	1,259,366	100

Management Discussion and Analysis

Gross profit and gross profit margin

Gross profit and gross profit margin was RMB911.3 million and 41.3% for the first half of 2015, respectively, with gross profit margin having increased by 1.6 percentage points year-on-year.

With the benefit of in-house production and the increase of AWP for the new design and innovated products, the gross profit margins of footwear increased to 41.0% whereas accessories and kids wear businesses marginally increased to 40.2% and 40.3%, respectively. However, the gross profit margin of apparel dropped from 43.0% to 41.8% because of the high competition in apparel market. The increase in AWP could not fully reflect the cost increase in the outsourced apparel.

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

	For the six months ended 30 June				
	2015		2014		
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %	Changes percentage point
Adults					
Footwear	**397,063**	**41.0**	299,651	35.9	+5.1
Apparel	**405,328**	**41.8**	431,449	43.0	-1.2
Accessories	**14,948**	**40.2**	13,881	39.3	+0.9
Kids	**94,003**	**40.3**	85,729	39.8	+0.5
Total	**911,342**	**41.3**	830,710	39.7	+1.6

Other revenue

Other revenue of RMB76.8 million (2014: RMB27.9 million) was mainly composed of i) accrued interest income of RMB61.2 million (2014: RMB9.5 million) earned from bank deposits both in Hong Kong and the PRC, the increase being due to the increase in net proceeds received from the senior unsecured notes and a bigger amount of fixed deposit placed in the period under review; ii) the government subsidies of RMB10.4 million (2014: 17.9 million) was unconditional and under the discretion of several local government authorities for the Group's contribution to local economies; and iii) the other revenue of RMB5.2 million (2014: RMB0.5 million) was mainly the gross profit earned from selling of soles to third parties by a 51% owned manufacturing subsidiary.

Other net loss

Other net loss was mainly attributable to the exchange difference incurred by the subsidiaries with functional currencies other than Renminbi during the period under review. The increase was mainly due to the fluctuation of Renminbi as well as the expenses of overseas offices, payment of dividend and the fact that interest payments were denominated in other currencies.

Selling and distribution expenses

During the first half of 2015, selling and distribution expenses decreased by 0.5% to RMB343.7 million (2014: RMB345.5 million). The decrease was primarily a result of the reduction in advertising and promotional expenses.

Management Discussion and Analysis

Starting from this year, the Group categorises rack subsidies as one of the categories under advertising and promotional expenses. Advertising and promotional expenses were RMB269.4 million (2014: RMB298.3 million) accounting for approximately 12.2% of the Group's turnover in the six months ended 2015 and 14.3% in the same period 2014.

The Group believes each store outlet is a representation of the brand and the improvement on store could help to strength its brand image and competitiveness. The rack subsidies' program has been in place since 2011. Under this program, the Group encourages store owners to renovate its own stores by the provision of fixtures and fittings for displaying products and the owners bear the costs for other renovation. All these tailor-made fixtures and fittings were ordered and paid directly by the Group with the designated suppliers and deliver to retail outlets. During the period under review, the subsidies were given to 1,139 retail stores.

Apart from the rack subsidies, the Group maintains certain major event sponsorships, one of which is the Official Tier-2 Supporter in Rio 2016 Olympic and Paralympic Games. It also newly signed spokesmen contract with a national soccer team member of China, Yang Xu, and two athletes from the Chinese national swimming team, Ning Zetao and Ye Shiwen. All the relevant costs have started to amortise ever since the effectiveness of each contract. Together with other event sponsorships and appointment of spokesmen, the Group believes that these endeavours would continue to gain exposure of the Group among the public.

Administrative expenses

Administrative expenses increased by 3.7% to RMB153.2 million for the period ended 30 June 2015 (2014: RMB147.8 million) and represented about 6.9% (2014: 7.1%) of the Group's turnover. The increase was mainly due to the additions of management staff salaries in the second half of 2014 for the developing overseas business unit.

Research and development expenses were RMB54.4 million (2014: RMB51.8 million), or 2.5% (2014: 2.5%) of the turnover for the period under review. The percentage is stable, the Group engaged both internal and external research and development teams to enhance the products' development and competitiveness.

Finance Costs

For the six months ended 30 June 2015, financing costs increased to RMB62.8 million (2014:RMB35.4 million) of which RMB1.0 million in relation to short-term bank borrowings and the balance was mainly the RMB61.8 million for the relevant interest and cost in relation to the senior unsecured notes amortised over the period. As at 30 June 2015, the short-term bank borrowings were RMB2.2 million for the finance of running a 51% owned subsidiary and RMB14.8 million, a mortgage bank loan, for financing the acquisition of an office in Hong Kong.

On 12 September 2014, the Group issued RMB1,500,000,000 7.5% senior unsecured notes due 2017. The finance cost accrued for the period was RMB61.8 million in which RMB55.8 million was in relation to the accrued interest for the period and RMB6.0 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 period under review, income tax expenses of the Group amounted to RMB150.1 million (2014: RMB99.2 million) and the effective tax rate for the period was 35.5% (2014: 30.5%). The Group's four mainland China-based operating subsidiaries are subject to the standard corporate income tax rate of 25% whereas the subsidiaries in Hong Kong are tax free since no income was generated in the city. Since the Notes (as defined below) were issued and listed in Hong Kong, in September 2014, the relevant interest and cost has been all accrued and paid by a Hong Kong subsidiary. Such finance cost was not allowed to be deducted from the taxable income from the China-based operating subsidiaries, thus, increased the amount of tax and affected the effective tax rate at the Group level.

Profit attributable to equity shareholders

Profit attributable to equity shareholders for the period increased by 22.3% to RMB269.6 million from RMB220.4 million for the period ended 30 June 2014, excluding the exceptional effect of fair value change and loss on the repurchase of Convertible Bonds (as defined below) in 2014. The increase was mainly attributable to the increase in sales, slight increase in gross profit margin and increase in interest income earned from fixed deposits which in turn increased the operating profit margin to 22.0% for the six months ended 30 June 2015 (2014:17.3%). Basic earnings per share for the six months ended 30 June 2015 increased to RMB13.0 cents.

Management Discussion and Analysis

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of RMB5.0 cents (equivalent to HK6.2 cents) per ordinary share for the six months ended 30 June 2015. The dividend amounted to RMB103.4 million and is expected to be paid to shareholders on or about 8 September 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 27 August 2015 to Monday, 31 August 2015, both days inclusive, for the purpose of determining shareholders' entitlements to the interim dividend. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 26 August 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash inflow from operating activities of the Group for the first half of 2015 amounted to RMB233.1 million. As at 30 June 2015, cash and cash equivalents, including bank deposits and cash in hands, and fixed deposits with original maturities not exceeding three months, amounted to RMB1,999.1 million, representing a net decrease of RMB130.5 million as compared to the position as at 31 December 2014. The net decrease in cash and cash equivalents was attributable to the following items:

	For the six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Net cash generated from operating activities	**233,052**	768,926
Payment for the purchase of property, plant and equipment	**(47,157)**	(34,143)
Interest paid	**(56,259)**	(577)
Dividends paid	**(62,028)**	–
Payment for repurchase of convertible bonds	**–**	(161,582)
Placement of deposits (with maturity over three months)	**(200,000)**	(1,262,534)
Interest received	**39,694**	13,824
Other net cash outflow	**(37,830)**	(54,847)
Net decrease in cash and cash equivalents	**(130,528)**	(730,933)

The positive net cash generated from operating activities amounted of RMB233.1 million for the six months ended 30 June 2015 was mainly from the operating profit for the period under review. During the six months ended 30 June 2015, certain capital expenditure amounted RMB47.2 million was incurred mostly for the new headquarter in Xiamen. In September 2014, the Group issued an aggregate principal amount of RMB1.5 billion 7.5% senior unsecured notes. The relevant interest, RMB56.3 million, for the six months was paid in March 2015. On the other hand, the net proceeds received from the senior unsecured notes after the settlement of the repurchase of convertible bonds in 2014 together with the other bank deposits in the PRC generated interest income of RMB39.7 million. The placement of RMB200 million banks deposits with maturity of more than 3 months which further reduced the amount of cash and cash equivalent as at 30 June 2015. The Group's gearing ratio was 16.9% as at 30 June 2015 (31 December 2014: 17.6%). During the period under review, the Group did 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 six months ended 30 June 2015, 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 30 June 2015, a building with net book value of RMB42,980,000 (31 December 2014: RMB43,471,000) was pledged as security for a banking facility of the Group of RMB40,066,000 (31 December 2014: RMB40,101,000). The aforesaid banking facility was used to finance the acquisition of an office unit in Hong Kong. The office unit is for the Group's own use and not for any investment purpose. Bills payable as at 30 June 2015 were secured by pledged bank deposits of RMB215.5 million.

WORKING CAPITAL MANAGEMENT

The average working capital cycle for the six months ended 30 June 2015 was 46 days (year ended 31 December 2014: 75 days). The decrease was mainly due to the improvement from both trade and bills receivable days and the extension of trade and bills payable turnover days. The average trade and bills receivable cycle was 149 days as at 30 June 2015 (31 December 2014: 167 days) with the inclusion of the impairment losses brought forward from previous year showed a decrease of 18 days. All the trade debts and bill receivable were within 180 days and 91.0% were neither considered as past due nor impaired. The Group has put significant effort to make such a big progress in the collection of debts.

The average inventory turnover cycle was 80 days for the six months ended 30 June 2015 (year ended 31 December 2014: 77 days) represented an amount of RMB581.4 million, slightly increased by 2.0% as compared to RMB570.1 million as at 31 December 2014. About 77.9% of the stock were finished goods and were mainly products of spring/summer and autumn of 2015. All the goods were either self-produced or supplied by OEMs in accordance to the orders received from distributors at the trade fairs held in the year, no extra stock was produced or kept by the Group. The fluctuation on the cycle may due to the schedule arrangement of self-production or delivery received from OEMs but pending for repacking. The Group had never experienced any request for return or buyback of stocks from distributors.

As at 30 June 2015, prepayments to suppliers were RMB538.8 million, representing a 7.8% decrease compared to the RMB584.1 million as at 31 December 2014. The prepayments were deposits paid to suppliers for the acceptance of orders for production of products in relation to the 2015 winter and 2016 spring trade fairs. The size of these two trade fairs were smaller than the two held in second half of 2014, therefore, the amount required was less. The balance of other prepayments, RMB171.2 million, was mainly the payment in relation to the advertising and promotion contracts and suppliers for rack subsidies.

The average trade and bills payable cycle was 183 days for the six months ended 30 June 2015, compared with the 169 days for the year ended 31 December 2014. With the introduction of some new OEMs for apparel and new credit terms obtained from existing suppliers, the Group continued to use a higher amount of bills 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 30 June 2015 was RMB765.7 million (year ended 2014: RMB783.8 million) which accounted for about 58.2% of the total trade and bills payable.

The extension of 14 days was due to the fact that the Group only started to increase the proportion of bills settlement with suppliers in second half of last year. There was a big difference in the opening balance, RMB1,306.7 million (year ended 31 December 2014: RMB835.2 million), for the calculation of the average trade and bills payable cycle in two periods. By only adopting the closing balance, the trade and bills payable cycle for the period ended 30 June 2015 was 184 days (year ended 31 December 2014: 207 days).

SENIOR UNSECURED NOTES

On 12 September 2014, the Company issued an aggregate principal amount of RMB1.5 billion 7.5% senior unsecured notes due 2017 (the "Notes") at 99.472% and listed on the Stock Exchange in Hong Kong. The net proceeds were mainly used for the finance of redemption of convertible bonds issued in 2012 (the "Convertible Bonds"), development of overseas business and general working capital.

In 2014, the Convertible Bonds has been fully repurchased and cancelled.

Management Discussion and Analysis

EMPLOYEES AND EMOLUMENTS

As at 30 June 2015, the Group employed a total of 10,565 full time employees in the PRC which included management staff, technicians, salespersons and workers. For the six months ended 30 June 2015, the Group's total remuneration to employees was RMB194.1 million, representing 8.8% 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 immediate outlook for the Group remains very positive. With a strong order book and retailers now being in a position to trade profitably, the continual reforms in the sports industry in China will underscore growth in the foreseeable future as a nation awakens to the benefit of a healthy and fit society.

The challenge for the Group in the medium term is to ensure that some of its longer-term initiatives begin to turn profitable and for its e-commerce strategy to crystallize and benefit from this fast-growing segment that is reshaping the retail landscape.

Competition will always remain intense and there are lingering doubts about the real strength of the Chinese economy. However difficult the road ahead may be, the Group believes it has the financial muscle and discipline to meet the ever-rising demands of a discerning consumer base and is confident of adhering to its path of delivering both revenue and earnings growth.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, 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 ("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 30 June 2015, 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).

Corporate Governance and Other Information

SHARE OPTION SCHEMES

Share Option Scheme

The Company adopted a Share Option Scheme on 10 June 2009 for the purpose of motivating eligible persons to optimize 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, being 200,000,000 shares, which represented about 9.7% of the total issued share capital of the Company as at the date of this report. 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 of 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.

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set those in the Share Option Scheme as the Board may think fit, including the time or period before the right to exercise the option in respect of all or any of the shares shall vest, provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board 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 be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before 28 days after the offer date. The exercise price of the options is determined by the Board 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 Stock Exchange's daily quotations sheets on the offer date; and

(c) the average closing price of a share as stated in the 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. As at the date of this report, the remaining life of the Share Option Scheme was about 3 years and 11 months.

No options have been granted under the Share Option Scheme up to 30 June 2015.

Apart from the foregoing, at no time during the six months ended 30 June 2015 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 30 June 2015, 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% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings 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.

Corporate Governance and Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2015.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company has confirmed with all directors of the Company that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2015. They considered that the unaudited interim financial statements of the Group for the six months ended 30 June 2015 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

Consolidated Statement of Profit or Loss

for the six months ended 30 June 2015 — unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Turnover	3	**2,208,344**	2,090,076
Cost of sales		**(1,297,002)**	(1,259,366)
Gross profit		**911,342**	830,710
Other revenue	4	**76,788**	27,902
Other net loss	4	**(5,690)**	(4,120)
Selling and distribution expenses		**(343,704)**	(345,542)
Administrative expenses		**(153,233)**	(147,806)
Profit from operations		**485,503**	361,144
Net change in fair value of derivatives embedded to convertible bonds	14	**–**	47,810
Net loss on repurchase of convertible bonds		**–**	(4,792)
Finance costs	5(a)	**(62,853)**	(35,371)
Profit before taxation	5	**422,650**	368,791
Income tax	6	**(150,103)**	(99,241)
Profit for the period		**272,547**	269,550
Attributable to:			
Equity shareholders of the Company		**269,585**	263,380
Non-controlling interests		**2,962**	6,170
Profit for the period		**272,547**	269,550
Earnings per share	7		
Basic (cents)		**13.0**	12.7
Diluted (cents)		**13.0**	10.7

The notes on pages 31 to 46 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15(b).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2015 — unaudited (Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit for the period	**272,547**	269,550
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**1,029**	(8,286)
Total comprehensive income for the period	**273,576**	261,264
Attributable to:		
Equity shareholders of the Company	**270,614**	255,094
Non-controlling interests	**2,962**	6,170
Total comprehensive income for the period	**273,576**	261,264

The notes on pages 31 to 46 form part of this interim financial report. There was no tax effect relating to the components of other comprehensive income.

Consolidated Statement of Financial Position

at 30 June 2015 — unaudited (Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Fixed assets	8		
— Property, plant and equipment		**1,063,362**	1,050,676
— Interests in leasehold land held for own use under operating leases		**94,374**	95,450
		1,157,736	1,146,126
Other financial asset		**17,550**	17,550
Deposits and prepayments	9	**89,789**	96,691
Deferred tax assets		**71,799**	49,971
		1,336,874	1,310,338
Current assets			
Inventories	10	**581,418**	570,058
Trade debtors	9	**1,897,321**	1,524,240
Bills receivable	9	**77,766**	132,013
Deposits, prepayments and other receivables	9	**792,390**	891,951
Pledged bank deposits	11	**215,521**	175,895
Deposits with banks	11	**2,000,000**	1,800,000
Cash and cash equivalents	11	**1,999,092**	2,130,237
		7,563,508	7,224,394
Current liabilities			
Trade and other payables	12	**1,914,355**	1,851,099
Bank loans	13	**16,969**	15,311
Current taxation		**230,612**	146,374
		2,161,936	2,012,784
Net current assets		**5,401,572**	5,211,610
Total assets less current liabilities		**6,738,446**	6,521,948
Non-current liabilities			
Deferred tax liabilities		**557**	133
Interest-bearing borrowings	14	**1,489,395**	1,484,869
		1,489,952	1,485,002
NET ASSETS		**5,248,494**	5,036,946

Consolidated Statement of Financial Position

at 30 June 2015 — unaudited (Expressed in Renminbi)

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
CAPITAL AND RESERVES	*15*		
Share capital		**182,298**	182,298
Reserves		**4,991,329**	4,782,743
Total equity attributable to equity shareholders of the Company		**5,173,627**	4,965,041
Non-controlling interests		**74,867**	71,905
TOTAL EQUITY		**5,248,494**	5,036,946

The notes on pages 31 to 46 form part of this interim financial report.

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015 — unaudited (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 Jan 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 six months ended 30 Jun 2014:												
Profit for the period		–	–	–	–	–	–	–	263,380	263,380	6,170	269,550
Other comprehensive income		–	–	–	–	–	–	(8,286)	–	(8,286)	–	(8,286)
Total comprehensive income		–	–	–	–	–	–	(8,286)	263,380	255,094	6,170	261,264
Appropriation to statutory reserve		–	–	–	–	10,355	–	–	(10,355)	–	–	–
Balance at 30 Jun 2014		182,298	232,467	156,252	90,489	514,582	12,859	(40,068)	3,782,561	4,931,440	70,505	5,001,945
Balance at 1 Jan 2015		**182,298**	**129,087**	**156,252**	**90,489**	**533,062**	**–**	**(37,349)**	**3,911,202**	**4,965,041**	**71,905**	**5,036,946**
Changes in equity for the six months ended 30 Jun 2015:												
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**269,585**	**269,585**	**2,962**	**272,547**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**1,029**	**–**	**1,029**	**–**	**1,029**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**1,029**	**269,585**	**270,614**	**2,962**	**273,576**
Appropriation to statutory reserve		**–**	**–**	**–**	**–**	**5,355**	**–**	**–**	**(5,355)**	**–**	**–**	**–**
Dividends declared and paid during the period	*15(b)*	**–**	**(62,028)**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,028)**	**–**	**(62,028)**
Balance at 30 Jun 2015		**182,298**	**67,059**	**156,252**	**90,489**	**538,417**	**–**	**(36,320)**	**4,175,432**	**5,173,627**	**74,867**	**5,248,494**

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2015 — unaudited (Expressed in Renminbi)

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Operating activities		
Cash generated from operations	**309,506**	831,347
Income tax paid	**(76,454)**	(62,421)
Net cash generated from operating activities	**233,052**	768,926
Investing activities		
Payment for the purchase of property, plant and equipment	**(47,157)**	(34,143)
Increase in deposit with bank	**(200,000)**	(1,262,534)
Increase in pledged deposits	**(39,626)**	(35,697)
Interest received	**39,694**	13,824
Other cash flows arising from investing activities	**125**	49
Net cash used in investing activities	**(246,964)**	(1,318,501)
Financing activities		
Payment for repurchase of convertible bonds	**–**	(161,582)
Dividends paid to equity shareholders of the Company	**(62,028)**	–
Interest paid	**(56,259)**	(577)
Other cash flows arising from financing activities	**1,671**	(19,199)
Net cash used in financing activities	**(116,616)**	(181,358)
Net decrease in cash and cash equivalents	**(130,528)**	(730,933)
Cash and cash equivalents at 1 January	**2,130,237**	2,494,280
Effect of foreign exchange rate changes	**(617)**	–
Cash and cash equivalents at 30 June	**1,999,092**	1,763,347

The notes on pages 31 to 46 form part of this interim financial report.

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 11 August 2015.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 10 March 2015.

2 CHANGES IN ACCOUNTING POLICIES

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

- Annual Improvements to HKFRSs 2010–2012 Cycle
- Annual Improvements to HKFRSs 2011–2013 Cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Footwear	**1,048,169**	906,583
Apparel	**1,119,311**	1,146,885
Accessories	**40,864**	36,608
	2,208,344	2,090,076

The Group's customer base is diversified and includes only two (2014: one) with whom transactions have exceeded 10% of the Group's revenues. During the period ended 30 June 2015, revenues from sales of footwear, apparel and accessories to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB551 million (2014: RMB298 million). These sales arose in both reportable segments (see note 3(b)).

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 identified 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.

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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 period. Accordingly, no analysis by geographical segments has been provided for the period. In addition, no information on segment assets and liabilities was prepared for review by the Group's most senior executive management for the period for the purpose of resource allocation and performance assessment.

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2015 and 2014 is set out below.

	361° Products — Adults Six months ended 30 June		*361°* Products — Kids Six months ended 30 June		Total Six months ended 30 June	
	2015 **RMB'000**	2014 RMB'000	**2015** **RMB'000**	2014 RMB'000	**2015** **RMB'000**	2014 RMB'000
Reportable segment revenue	**1,974,852**	1,874,481	**233,492**	215,595	**2,208,344**	2,090,076
Cost of sales	**(1,157,513)**	(1,129,500)	**(139,489)**	(129,866)	**(1,297,002)**	(1,259,366)
Reportable segment profit (gross profit)	**817,339**	744,981	**94,003**	85,729	**911,342**	830,710

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated turnover *(note 3(a))*	**2,208,344**	2,090,076
Profit		
Reportable segment profit	**911,342**	830,710
Other revenue	**76,788**	27,902
Other net loss	**(5,690)**	(4,120)
Selling and distribution expenses	**(343,704)**	(345,542)
Administrative expenses	**(153,233)**	(147,806)
Net change in fair value of derivatives embedded to convertible bonds	**–**	47,810
Net loss on repurchase of convertible bonds	**–**	(4,792)
Finance costs	**(62,853)**	(35,371)
Consolidated profit before taxation	**422,650**	368,791

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND NET LOSS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Other revenue		
Bank interest income	**61,186**	9,473
Government grants	**10,430**	17,943
Others	**5,172**	486
	76,788	27,902
Other net loss		
Net gain on disposal of fixed assets	**19**	24
Net foreign exchange loss	**(5,709)**	(4,144)
	(5,690)	(4,120)

Government grants of RMB10,430,000 (2014: RMB17,943,000) 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.

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank borrowings wholly repayable within five years	**1,035**	577
Finance charges on convertible bonds *(note 14)*	**–**	34,794
Finance charges on senior unsecured notes *(note 14)*	**61,818**	–
Total finance costs	**62,853**	35,371
(b) Other items:		
Amortisation of land lease premium	**1,076**	1,076
Depreciation	**34,319**	32,608
Staff costs	**194,112**	174,261
Operating lease charges in respect of properties	**6,305**	7,689
Research and development costs*	**54,350**	51,798
Cost of inventories**	**1,297,002**	1,259,366

* Research and development costs include RMB17,162,000 (2014: RMB15,879,000) relating to staff costs of employees in the research and development department, which amount is also included in "staff costs" disclosed separately above.

** Cost of inventories includes RMB136,727,000 (2014: RMB127,149,000) relating to staff costs and depreciation, which amounts are also included in the respective amount disclosed separately above.

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Current tax — PRC income tax		
Provision for the period	**160,493**	120,474
Under provision in respect of prior periods	**11,013**	6,405
	171,506	126,879
Deferred tax		
Origination and reversal of temporary differences	**(21,403)**	(27,638)
	150,103	99,241

Notes:

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

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

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

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 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 RMB269,585,000 (six months ended 30 June 2014: RMB263,380,000) and the weighted average of 2,068 million (2014: 2,068 million) ordinary shares in issue during the interim period.

(b) Diluted earnings per share

For the period ended 30 June 2015, diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential shares outstanding during the period. For the period ended 30 June 2014, the calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB255,155,000 and the weighted average number of ordinary shares of 2,379 million adjusted for the potential dilutive effect caused by the conversion of convertible bonds and share options granted under Pre-IPO share option scheme.

8 FIXED ASSETS

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment of approximately RMB47,157,000 (six months ended 30 June 2014: approximately RMB13,759,000).

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade debtors		
Trade debtors	**1,977,476**	1,604,395
Less: Allowance for doubtful debts *(note 9(b))*	**(80,155)**	(80,155)
	1,897,321	1,524,240
Bills receivable	**77,766**	132,013
Deposits, prepayments and other receivables		
Current		
Deposits	**3,852**	5,105
Prepayments	**709,994**	802,198
Other receivables	**78,544**	84,648
	792,390	891,951
Non-current		
Deposit and prepayment	**89,789**	96,691

(Expressed in Renminbi unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

Included in prepayments are amounts prepaid to suppliers of RMB538,826,000 (31 December 2014: RMB584,123,000).

All of the trade debtors and bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered within one year, except that the Group's current deposits of RMB3,852,000 (31 December 2014: RMB5,105,000) are expected to be recovered or recognised as expenses after more than one year.

(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 debt is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 90 days	**1,496,537**	1,035,171
Over 90 days but within 180 days	**478,550**	621,082
	1,975,087	1,656,253

Trade debtors and bills receivable are due within 30-180 days from the date of billing.

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly. There are no movement in the allowance for doubtful debts during the six months ended 30 June 2015 and 2014.

At 30 June 2015, the Group's trade debtors and bills receivable of RMB80,155,000 (30 June 2014: RMB191,521,000) were determined to be impaired. The impaired receivables related to a number of customers which management assessed that a portion of the receivables were doubtful. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

(Expressed in Renminbi unless otherwise indicated)

9 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Neither past due nor impaired	**1,796,869**	1,441,754
Within 30 days past due	**84,921**	73,553
Over 30 days but within 90 days past due	**93,297**	124,998
Over 90 days but within 180 days past due	**–**	15,948
Amount past due	**178,218**	214,499
	1,975,087	1,656,253

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

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

10 INVENTORIES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Raw materials	**81,325**	30,943
Work in progress	**47,107**	85,600
Finished goods	**452,986**	453,515
	581,418	570,058

(Expressed in Renminbi unless otherwise indicated)

11 CASH AND BANK DEPOSITS

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Pledged bank deposits	**215,521**	175,895
Deposits with banks		
— More than three months to maturity when placed	**2,000,000**	1,800,000
— Within three months to maturity when placed	**449,517**	809,593
Cash at bank and in hand	**1,549,575**	1,320,644
Cash and bank deposits	**4,214,613**	4,106,132
Represented by:		
Pledged bank deposits	**215,521**	175,895
Deposits with bank	**2,000,000**	1,800,000
Cash and cash equivalents	**1,999,092**	2,130,237
	4,214,613	4,106,132

At 30 June 2015, the balances that were placed with banks or on hand in the PRC in the cash and bank deposit amounted to RMB3,724,776,000 (31 December 2014: RMB3,453,744,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

12 TRADE AND OTHER PAYABLES

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Trade creditors	**549,557**	522,924
Bills payable	**765,665**	783,760
Receipts in advance	**26,661**	19,352
Other payables and accruals	**572,472**	525,063
	1,914,355	1,851,099

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

Bills payable as at 30 June 2015 and 31 December 2014 were secured by pledged bank deposits as disclosed in note 11.

(Expressed in Renminbi unless otherwise indicated)

12 TRADE AND OTHER PAYABLES (CONTINUED)

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:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Due within 1 month or on demand	**417,957**	381,032
Due after 1 month but within 3 months	**334,112**	418,663
Due after 3 months but within 6 months	**513,153**	506,989
Due over 6 months but within 12 months	**50,000**	–
	1,315,222	1,306,684

13 BANK LOANS

As at 30 June 2015, the bank loans were repayable within one year or on demand and secured as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Bank loans		
— secured	**14,797**	15,311
— unsecured	**2,172**	–
	16,969	15,311

As 30 June 2015 and 31 December 2014, secured bank loans of the Group were secured by a property.

14 NON-CURRENT INTEREST-BEARING BORROWINGS

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 period ended 31 December 2014.

(Expressed in Renminbi unless otherwise indicated)

14 NON-CURRENT INTEREST-BEARING BORROWINGS (CONTINUED)

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.

The redemption call and 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 to the financial statements.

The Group has fully repurchased principal amounts of US$150,000,000 of convertible bonds during 2014. All the repurchased convertible bonds have been cancelled on or before 4 December 2014. There was no outstanding convertible bonds as at 30 June 2015.

	Liability component convertible bonds RMB'000 (note 14(a))	Redemption call option RMB'000 (note 14(b))	Redemption put option RMB'000 (note 14(c))	Conversion option RMB'000 (note 14(d))	Total RMB'000
At 1 January 2014	767,539	(355)	38,147	73,172	878,503
Finance charges amortised during the period (note 5(a))	34,794	–	–	–	34,794
Interest paid and payable	(17,965)	–	–	–	(17,965)
Change in fair value	–	(4,069)	(15,110)	(28,631)	(47,810)
Repurchase of convertible bonds	(139,233)	1,270	(6,587)	(12,240)	(156,790)
Exchange adjustments	18,247	(26)	809	1,557	20,587
At 30 June 2014	663,382	(3,180)	17,259	33,858	711,319
At 1 January and 30 June 2015	–	–	–	–	–

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 NON-CURRENT INTEREST-BEARING BORROWINGS (CONTINUED)

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 30 June 2015.

(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".

(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".

(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".

15 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2015		At 31 December 2014	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000

The company was incorporated on 1 August 2008 with an authorised share capital of HK$1,000 divide into 10,000 shares of HK$0.10 each

	No. of shares '000	**HK$'000**	**RMB'000**
Ordinary shares, issued and fully paid:			
At 1 July 2014/31 December 2014/ 1 January 2015/30 June 2015	**2,067,602**	**206,760**	**182,298**

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Interim dividend declared after the interim period of RMB5.0 cents per ordinary share (2014: RMB5.0 cents per ordinary share)	**103,380**	103,380

The interim dividend declared has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders attributable to the previous financial period, approved and paid during the interim period

	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of RMB3.0 cents per ordinary share (2014: RMB Nil per ordinary share)	**62,028**	–

16 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	Six months ended 30 June 2015 RMB'000	2014 RMB'000
Short-term employee benefits	**14,418**	14,420
Post-employment benefits	**365**	311
	14,783	14,731

Notes to the Unaudited Interim Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 COMMITMENTS

(a) Contractual commitments outstanding at 30 June 2015 not provided for in the interim financial report were as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Advertising and marketing expenses	**197,042**	206,730

(b) Capital commitments outstanding at 30 June 2015 not provided for in the interim financial report were as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised and contracted for	**8,030**	11,156

(c) At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases payable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year	**7,435**	11,517
After 1 year but within 5 years	**4,820**	5,716
After 5 years	**122**	863
	12,377	18,096

The Group is the leasee in respect of a number of warehouses and offices under operating leases. The leases typically 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 includes contingent rentals.

18 PLEDGE OF ASSETS

At 30 June 2015 and 31 December 2014, certain bank facilities and bills payable of the Group were secured by a property and pledged bank deposits.

361 DEGREES INTERNATIONAL LIMITED
361度國際有限公司

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY
於開曼群島註冊成立的有限公司

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