361°

361 Degrees International Limited
361度國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1361)

2015 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of 361 Degrees International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2015. This announcement, containing the full text of the 2015 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

361°
ONE DEGREE BEYOND

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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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Cayman Islands

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the PRC

FACTORIES IN THE PRC

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Chendai Town
Jinjiang City, Fujian Province
the PRC

Wuli Industrial Park
She Ma Lu
Jinjiang City
Fujian Province 362261
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Convention Plaza
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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

PRINCIPAL BANKERS

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

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COMPANY WEBSITE

www.361sport.com

FINANCIAL HIGHLIGHTS

FINANCIAL PERFORMANCE

Revenue increased by 14.1% to RMB4,458.7 million

Gross profit increased by 14.2% to RMB1,823.0 million

Operating profit increased by 26.3% to RMB914.7 million

Profit attributable to the equity shareholders was RMB517.6 million, representing an increase of 30.2%

Gross profit margin maintained at 40.9%

Basic earnings per share is RMB25.0 cents, representing an increase by 30.2%

Proposed to declare a final dividend of HK6.3 cents (RMB5.3 cents) per share for the year ended 31 December 2015

BUSINESS PERFORMANCE

Total number of *361°* Sport's outlets streamlined from 7,319 to 7,208

Total number of *361°* retail kids' wear outlets increased from 2,142 to 2,350, of which 1,134 were counters in *361°* Sport's outlets

361° Kids revenue accounted for 13.2% of the Group's revenue

Last date of registration for shareholders' entitlements to 2015 final dividend: 28 April 2016

Payment date of 2015 final dividend: on or about 13 May 2016

FIVE-YEAR FINANCIAL SUMMARY

			For the year ended 31 December		
	2015	2014	2013	2012	2011
Profitability data (RMB'000)					
Revenue	**4,458,701**	3,906,286	3,583,477	4,950,578	5,568,678
Gross profit	**1,822,963**	1,596,796	1,417,099	1,972,312	2,362,810
Operating profit	**914,669**	724,165	352,210	864,413	1,385,024
Profit attributable to equity shareholders	**517,639**	397,642	211,261	707,208	1,133,050
Earnings per share					
— basic (RMB cents)	**25.0**	19.2	10.2	34.2	54.8
— diluted (RMB cents)	**25.0**	19.2	10.2	31.8	54.6
Profitability ratios (%)					
Gross profit margin	**40.9**	40.9	39.5	39.8	42.4
Operating profit margin	**20.5**	18.5	9.8	17.5	24.9
Margin of profit attributable to equity shareholders	**11.6**	10.2	5.9	14.3	20.4
Effective income tax rate *(Note 1)*	**32.9**	33.3	31.8	14.4	17.9
Return on shareholders' equity *(Note 2)*	**10.1**	8.2	4.5	15.8	28.7
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotion expenses	**12.8**	16.7	16.2	14.7	10.9
Staff costs	**8.3**	8.4	8.3	6.9	7.5
Research and development	**3.1**	2.4	2.4	1.7	1.5

Notes:

1) Effective income tax rate is equal to the income tax divided by the profit before taxation.

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

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2015	2014	2013	2012	2011
Assets and liabilities data (RMB'000)					
Non-current assets	**1,431,873**	1,310,338	1,303,183	1,279,223	1,181,172
Current assets	**7,354,779**	7,224,394	5,816,122	5,932,987	4,400,105
Current liabilities	**1,930,449**	2,012,784	1,605,653	1,726,168	1,274,945
Non-current liabilities	**1,489,746**	1,485,002	772,971	755,579	5,817
Equity attributable to equity shareholders	**5,282,572**	4,965,041	4,676,346	4,678,060	4,256,133
Non-controlling interests	**83,885**	71,905	64,335	52,403	44,382
Asset and working capital data					
Current asset ratios	**3.8**	3.6	3.6	3.4	3.5
Gearing ratios (%) *(Note 3)*	**17.1**	17.6	11.0	11.0	3.2
Net asset value per share (RMB) *(Note 4)*	**2.6**	2.4	2.3	2.3	2.1
Inventory turnover days (days) *(Note 5)*	**78**	77	73	56	40
Trade receivable turnover days (days) *(Note 6)*	**145**	157	191	149	108
Trade and bills receivable turnover days (days) *(Note 7)*	**160**	167	205	165	119
Trade and bills payable turnover days (days) *(Note 8)*	**169**	169	158	112	89
Working capital turnover days (days)	**69**	75	120	109	70

Notes:

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

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

5) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 365 days (or 366 days for 2012).

6) Trade receivable turnover days is equal to the average opening and closing trade receivables after allowance of doubtful debts divided by revenue multiplied by 365 days (or 366 days for 2012).

7) Trade and bills receivable turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by revenue multiplied by 365 days (or 366 days for 2012).

8) Trade and bills payable turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 365 (or 366 days for 2012).

CHAIRMAN'S STATEMENT

As a leading domestic sportswear brand, the Group is well positioned to seize the ample opportunities arising in China's thriving sports industry.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of *361°* Degrees International Limited (the "Company"), I am pleased to present the results of the Company and its subsidiaries (collectively, the "Group" or "*361°* Group") for the year ended 31 December 2015.

The year under review witnessed many poignant events in the economy of the Peoples' Republic of China. After decades of brisk and rapid growth, the Chinese economy slowed down considerably in 2015, raising widespread concerns on the implications for the economic growth globally. These concerns underpinned volatilities in domestic equity markets in China, which in turn were aggravated perhaps through a number of bungling administrative measures by the regulatory authorities in China and despite interest rates and statutory deposits being repetitively cut over the course of the year.

The turbulence in China sent ripples to other stock markets of the world, which in turn heaping more concerns on the Chinese economy. Yet, as recently reported, an annual growth of 6.9% GDP for 2015, the lowest over the last 25 years, is still commendable given the transition nature of an economy growing from exports to one led by consumption and there are good grounds to believe that the underlying momentum will gradually improve over the course of 2016.

A predominant feature of the Chinese economy has been the stability of the country's currency, the Renminbi. In the last quarter of 2015, the International Monetary Fund announced that Renminbi will be included as one of the currencies in the Special Drawing Rights basket, effective from 1 October 2016, bringing it alongside with the existing four currencies, namely, the US dollar, the Euro, the Japanese yen and the Britain pound. With a slowing economy and interest rate cuts, the People's Banks of China has widened the trading band of the Renminbi and of late, fixed it at the lower end of the range. This has led to a devaluation in the value of the Chinese Yuan and onshore and offshore rates are often mismatched, leading to interventionist actions. The recent hike in interest rates by the US Federal Reserve, signaling a reversal in trend, will continue to fuel speculation over the direction of the Renminbi.

All these concerns overshadowed the beginning of the new financial year and in the early weeks of January, the volatilities in the equity markets have continued.

Fortunately, for the sportswear industry, the slowing economy has so far not appeared to dampen the surging interest in fitness and health amongst the Chinese. Despite a perceived deterioration in air quality in major cities and increasing critical media reports which emphasized the seriousness, the growing middle class, now estimated to be broadly over 300 million, view and take part in sporting activities. This augurs well for the sportswear industry. A recovery in the sportswear market which started in the last quarter of 2014 was sustained throughout the year under review and given that 2016 is an Olympic year, there is sufficient momentum to support the continued recovery in sportswear industry.

The Chinese Government, under the leadership of President Xi Jinping, is committed to continue with the anti-graft campaigns and an economy transiting from one driven by fixed asset investment to a broader base led by consumer spending, there will be considerable pain along the way. However, we remain optimistic that this reform program will ultimately benefit the society and lead to more sustainable and positive longer-term growth. The *361°* Group remains confident of its position in the sportswear industry and will reinforce efforts to commit itself to a healthy and peaceful society.

In summer 2016, the *361°* Group will participate in the Rio Olympic and Paralympic Games as a Tier-2 Supporter. This will be the first time a Chinese sportswear brand is involved in leading international sporting events at such a high level. With audiences expected to reach millions in the living rooms in China, the brand will certainly gain renewed prominence and reinforces its status as one of the leading sportswear players.

Lastly, on behalf of the Board, I wish to extend our gratitude and appreciation to all those who have helped the *361°* Group throughout the course of the year. With your continuing support, we will endeavor our best to deliver sound returns to our shareholders and play a meaningful role to the evolution of a stronger China.

Ding Huihuang
Chairman

Hong Kong, 8 March 2016

INDUSTRY REVIEW

The sportswear industry in China witnessed a turned around in 2015 from the last quarter of 2014 and embarked on a course of steady growth. The primary driver for this improvement was the increasing level of participation in sporting activities by the growing middle class in China, who recognized the benefits of fitness and health. Undoubtedly fueled by encouraging initiatives from the Chinese Central Government and almost certainly popularized by positive vibes on the social media, the enthusiasm for running as a sport and exercise has become well-entrenched.

As a result, the main driving force in the demand is footwear, which is often seen as a pre-requisite for any form of serious exercise to prevent injury to the feet, but as the expectations of the sporting public grow, there will also be an improved demand for performance apparel, coupled with an increasing number of technology-based wearables entering the market to satisfy the surging interest of the sports enthusiasts.

Euromonitor International, the London-based business intelligence and market research company, estimates that the sportswear market in China, at about 150 billion Renminbi at the end of 2014, will grow by just over 8% per annum over the next five years. As a country advances further in its economic development, spending on sportswear and sports equipment rises disproportionately, as a more affluent society becomes increasingly health conscious and sporting activities evolve to become part of a daily life. This considerable room for growth will be accelerated if the Chinese Central Government's move to relax the control in pollution make significant headway over the next ten years.

Also of a much pleasing note is the improved participation by women in sports. With a rising number now seeking their careers outside of the family life, their spending power is incremental, and their desire to stay fit and healthy, perhaps even stronger than their male counterparts.

Not often mentioned but which will be a fast rising trend is the Chinese Central Government's backing for winter sports, and that Beijing has won the rights to host the 2022 Winter Olympic Games. As winter sports become increasingly popular as a form of recreation, with the market potential of winter sports coupled with the groups product offering under One Way brand, the Group can provide winter equipment in advance and enjoy a rapid growth in sales.

The development of sporting activities has now become a priority for the Chinese Central Government and its strong support is the single largest influential factor.

Over the year, the Chinese Government has separated the China Football Association from the General Administration of Sports of China, now there are plans to build 50,000 soccer schools over the next ten years and soccer becomes a compulsory program in many junior high and senior high schools in China. Private enterprises are encouraged to invest and involve in it to enable more economic independence of the China Football Association.

All these augur extremely well for the sportswear industry and its fundamentals have never been so solid.

Competition, as always, will remain very intense with all the international brands like Nike, Adidas and Under Armour, all devoting more resources to deliver a pipeline of new products to a keen Chinese market, and the local Chinese brands are also trying to do the same.

BUSINESS REVIEW

Business Model

With notable exceptions (and these are further elaborated below), the Group operates on a franchised business model in respect of its business in the Peoples' Republic of China. As in previous years, the Group divided China into 31 geographical regions, each with its own and sole distributor. Each such distributor has an exclusive contract to distribute the products under the *361°* brand in its assigned territory. This contract is generally renewed annually upon a satisfactory review of the performance of the distributor, including operational and financial performance.

The contract binds the distributor to observe certain covenants, including safeguarding the identity of the brand, observing the Group's pricing policy and observing various operational performance standards.

A distributor normally owns and operates a few of the stores in its territory but is also authorized to appoint retailers who are also bound by contract to observe the key provisions mentioned above. In this manner, all of the stores of *361°* brand will maintain the same identity and generally operate on standard policies.

A key feature of the Group's business model is the organization of trade fairs each year, totalling four per year and one per season. Retailers and distributors from all over the country would attend these fairs, which will showcase the latest range of offerings from the Group and provide an opportunity for viewing, testing and training before orders are placed.

These orders form the basis of the Group's future revenue sources as the orders are non-cancellable and once placed into production, will eventually be invoiced to the distributors. Goods also could not be returned. During the year, there were four such trade fairs and the results are as follows:

Delivery Period	Winter 2015 From August 2015	Spring 2016 From November 2015	Summer 2016 From March 2016	Autumn 2016 From June 2016
% Growth (compared against the same fair last year)	18%	15%	15%	High single digit

Product Groups

The above business model is operated in respect of the Group's main product groups, namely the *361°* brand, the *361°* Kids and the Innofashion sub-brand.

The *361°* brand covers the Group's footwear, apparel and accessory business, most of which are designed for the performance of sporting activities.

The *361°* Kids brand caters for the apparel and footwear needs of children between the ages of 5 and 12, with most products adopting a sporting theme.

The Innofashion is a sub-brand and arose out of the recognition to maintain an interest in the wider apparel market and primarily caters for the urban, more sophisticated consumers who are seeking a differentiated or individualistic look.

Over the last two years or so, the Group has also initiated two new projects.

The One Way joint-venture is an equity partnership with One Way Oy of Finland, with the Group holding a 70% equity interest, owns and operates its own retail network as the brand competes in a higher value segment of the sports performance market, with strong offerings in outdoor wear and shoes. All the One Way products are now sold by the self-operated stores running by the Group.

The Overseas Business (as defined below) comprises the international business of the *361°* brand and currently operates primarily in the United States and Brazil by the Group where it sells directly to specialist stores.

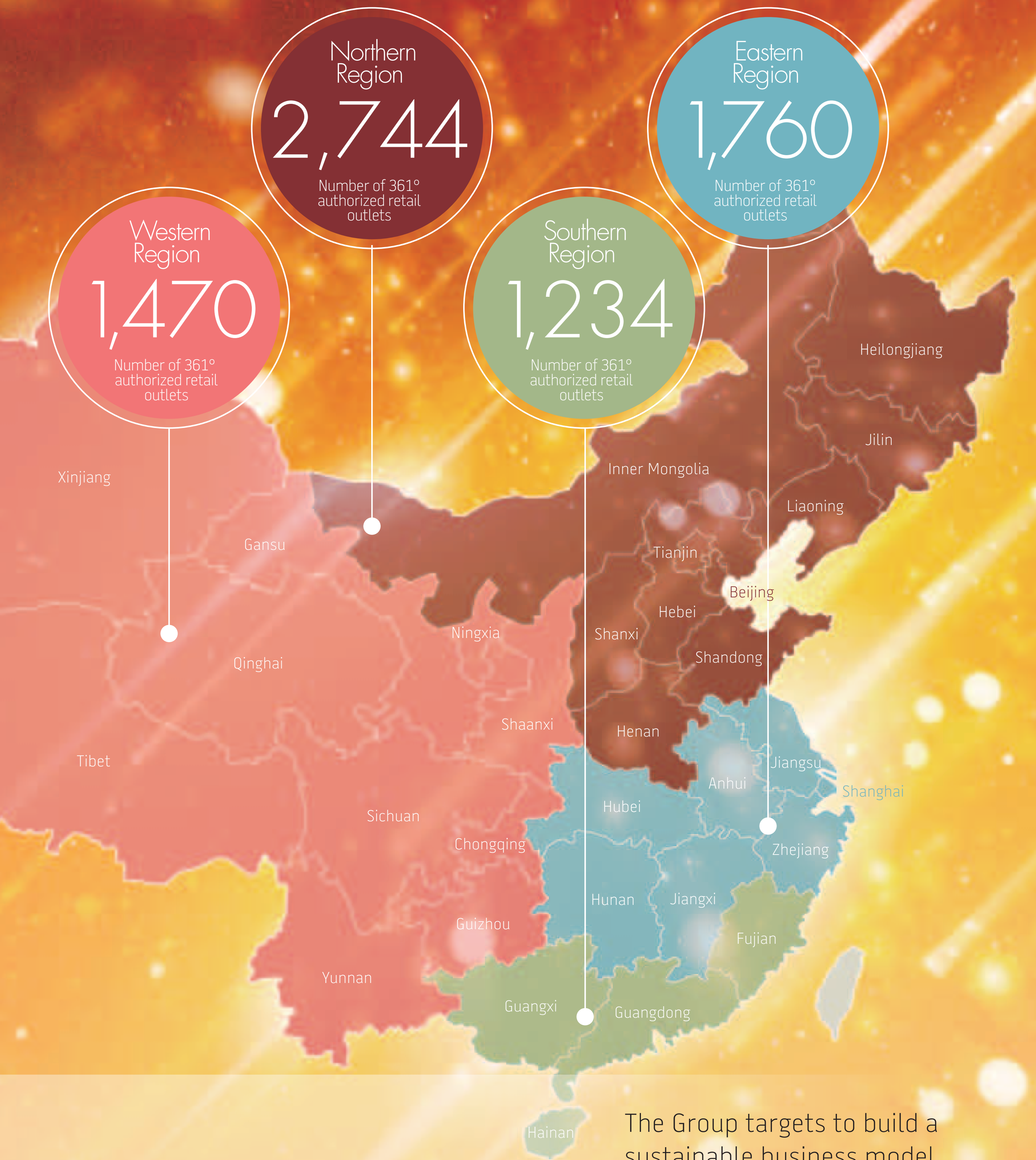
Retail Network

As at 31 December 2015 the Group had a franchised network of 7,208 stores in China, with a total of 1,027 stores opened and 1,138 stores closed during the year, and divided into the following manner:

	As at 31 December 2015		As at 31 December 2014	
	Number of *361°* authorized retail outlets	**% of total *361°* authorized retail outlets**	Number of *361°* authorized retail outlets	% of total *361°* authorized retail outlets
Eastern region[1]	**1,760**	**24.4**	1,777	24.3
Southern region[2]	**1,234**	**17.1**	1,181	16.1
Western region[3]	**1,470**	**20.4**	1,474	20.1
Northern region[4]	**2,744**	**38.1**	2,887	39.5
Total	**7,208**	**100**	7,319	100

Notes:

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



The Group targets to build a sustainable business model by leveraging its nationwide sales network of 7,208 retail stores in China.

The shortfall of 111 stores compared with the same point in time in 2014 was primarily due to as many tenancies were taken in the fast expansion period of 2006 to 2009 when the *361°* brand was first launched, and over time, many of these locations were no longer considered as suitable under current conditions.

The Group considers the current network to be an optimal one, even though there will still be openings and closures of stores as tenancies expire and the local retailer finds a more suitable replacement at a cheaper rent. The current retail policy is to encourage the development of bigger outlets which can act as 2-in-1 (with the addition of *361°* Kids' merchandize) or 3-in-1 (also including the Innofashion brand).

The Group also encourages distributors with better capital sources to invest or operate, under suitable conditions, their own stores as the industry consolidates further, individual store profitability and rapid emergence of telecommunication operators have become the key factor for the success of the brand.

Brand Promotion and Marketing

Since the brand was first conceived in 2003, with the *361°* numeric symbol and the tag line "One Extra Degree of Passion", substantial investment has been consistently made to promote and sustain the brand. The Group generally allocates not less than 10% of its annual revenue to such brand promotion.

In the initial years of the development of the brand, recognition of the *361°* logo and its association with the sporting world was of utmost importance and the Group took the opportunity of various international games being held in China to participate in their sponsorship and by association, set itself widely recognized as a credible sports brand. The 2010 Asian Games in Guangzhou, the 2011 Shenzhen Universiade (World University Games) and the 2014 Youth Olympic Games in Nanjing are notable examples of this brand building strategy. This was in turn reinforced by the sponsorship as a prestige partner for the 2014 Asian Games in Incheon, South Korea. The brand will further strengthen through the Tier-2 official supporter for the 2016 Rio Olympic and Paralympic Games in the summer of 2016.

Sponsorships of professional sports teams and events

During the year under review, the Group gained exposure to target consumers effectively by sponsoring a number of professional sports teams, including:

China National Cycling Team
China National Swimming Team
Swedish National Curling Team

The following is a full list of existing events sponsorships:

Period	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

As an ongoing effort to strengthen research and development, the Group had during the year under review continued to sponsor the Chinese National Cycling and Swimming teams, as well as the Swedish National Curling Team. By working closely with these athletes, as have been similar efforts in past sponsorship of various Chinese national teams, the Group gained valuable feedback and constructive comments on the design, look and fabric selection of the apparel.

In more recent terms, the Group has sought the individual endorsements of athletes as a further development of the brand promotion and marketing. As a relative late-comer to the industry (almost all the peer Chinese brands were launched in the late 1990s), such endorsements are often on an opportunistic basis as the best athletes are often already under contracts. In that regard, the Group was fortunate to sign up Mr. Sun Yang (孫楊), the Chinese swimmer, in 2011 before he gained world-wide recognition by winning double gold at the 2012 London Olympics.

Today, his team-mates, Mr. Ning Zetao (寧澤濤) and Ms. Ye Shiwen (葉詩文) are also part of the Group's sponsored athletes. These young Chinese champions embody the face of the brand and epitomize its character, being comparatively new to their sport but courage enough to take on the best in the world.

In line with the popularity of the basketball game in China, the Group also endorsed Mr. Stephon Marbury, a key member of the Beijing Ducks in the Chinese Basketball Association championships.

In view that soccer is the most popular sports in China coupled with the Chinese government's push in the game, such as the plan to build 50,000 soccer schools in the next ten years and soccer as a compulsory program in many junior high and senior high schools in China, the Group has signed with Mr. Yang Xu (楊旭), the striker of China National Football Team, for the endorsement of the Group's products and brand image.

Production

The Group through its wholly-owned subsidiaries currently operate two factories, both of which are in Jinjiang City, Fujian Province which is under the administration of the larger prefecture-level Quanzhou City, and about an hour's drive by car from the better-known city, Xiamen.

The Jiangtou factory is located in the city itself, having been used previously as an Original Equipment Manufacturer ("OEM") before its acquisition by the *361°* Group. It houses 14 production lines and has an annual production capacity of 12 million pieces of footwear.

The Wuli Industrial Complex in the Economic Zone just outside the city, is a comprehensive facility encompassing two apparel workshops with the state-of-the-art equipment as well as 9 production lines with an annual capacity of 9 million pieces of footwear. Also in this Complex is the Central Warehouse, the Exhibition and Meeting Halls where the quarterly Trade Fairs are held as well as the hostels and staff recreational facilities, the latter of which have been touted as exemplary for a modern factory as they include snooker and table tennis tables, 300-odd computers in the Internet Bar, mini cinemas, gym for physical training and yoga classes. The Group considers these facilities to be a key element in its recruitment and staff retention strategy and its staff welfare record is one of the best in the province.

361° Kids

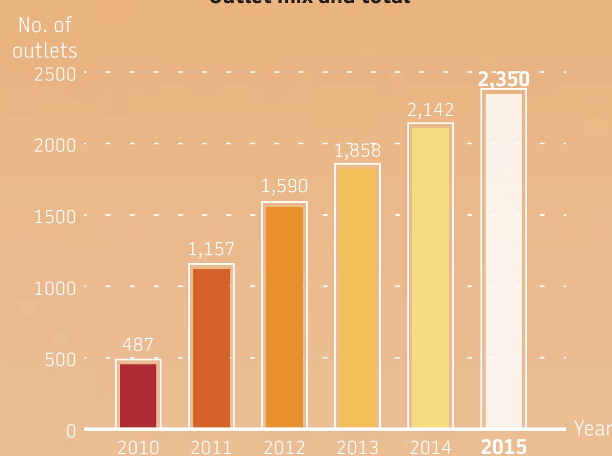
The *361°* Kids brand was developed in 2009 when it became clear that the disposable income levels were rising rapidly to justify further household spending and expenditure on children. Furthermore, most if not all of the children's wear brands were regional or provincial in nature and there was clearly a lack of a national brand.

China had practised the one-child policy since 1979 but as at 1 January 2016, this policy was formally relaxed as part of an ongoing comprehensive reform program that will eventually change the daily lives of individuals and the fabric of the society.

The *361°* Kids brand is positioned at the low to mid-price range and primarily caters for children between the ages of 5 and 12 who are looking for active wear for participation in sporting activities. Apparel products usually comprise more than 60% of the revenue generated under the *361°* Kids brand with footwear being a smaller component.

In the past six years, the *361°* Kids had been in operation as an independent business unit, it has grown to a network of 2,350 outlets and is generally regarded in the kids' sportswear industry as one of the leaders. These stores are organized in the following manner:

Outlet mix and total



	As at 31 December 2015 Number of *361°* Kids authorized retail outlets	% of total *361°* Kids authorized retail outlets	As at 31 December 2014 Number of *361°* Kids authorized retail outlets	% of total *361°* Kids authorized retail outlets
Eastern region(1)	**771**	**32.8**	623	29.1
Southern region(2)	**538**	**22.9**	447	20.8
Western region(3)	**333**	**14.2**	400	18.7
Northern region(4)	**708**	**30.1**	672	31.4
Total	**2,350**	**100**	2,142	100

Notes:

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

Increasingly, the Group encourages *361°* retailers to include the *361°* Kids merchandize in its new stores as part of the "2-in-1" store format as experience has shown that this increases foot traffic and bring better visibility to the *361°* Kids' brand which, under normal circumstances, will run smaller outlets in more remote areas.

The record of success of the *361°* Kids speaks for itself, with revenue now account for more than 10% of the Group's revenue. This success has been built on the recognition that there is room for a national kids brand offers, good value and quality products and an independent and consistent management team. By sponsoring the very popular "Let's Sing" ("中國新聲代") a children's talent show on Hunan Broadcasting System — Aniworld Satellite TV (湖南廣播電台 — 金鷹卡通衛視) , a leading station in China, and enlisting such child stars as Barna Kuyliri (拜爾娜), Jasmyn Aisin Gioro (愛新覺羅•媚), and Zhou Zhangchi (周張弛). The *361°* Kids brand has make a foothold in a small portion of a large and growing market.

E Commerce

Without doubt, the fastest growing segment of all retail businesses in the recent few years has been the explosive nature of sales through the internet, and with the increasing affordability of smartphones, mobile sales have grown at a breakneck speed. Over 99% of Chinese youth are literate and have at least nine years of education — this oft forgotten fact has been one of the main reasons for the ease in which the country has adopted the internet as a primary platform. Significant improvements in online payment infrastructure have helped to make transactions easy.

Unfortunately, traditional brick-and-mortar businesses have both been slow to respond to this new challenge or find it difficult to operate the different business models successfully, often handicapped by the large number of physical stores it has built so quickly over the years and especially because they are all operated on franchises and not directly controlled. The corollary is true for the newer entrants to the market who can leverage on the internet to access to areas not covered by its own physical stores.

The sportswear industry is no exception and none has internet sales accounting for a significant part of its revenue. Better late than never, the *361°* Group has now embarked on a clear strategy of a product portfolio differentiation whereby certain products, especially the so-called "smart products" are only available through the internet whilst the traditional trade fairs, parading the latest collections, will continue. At this early stage of implementation, the proportion is obviously small but it is hoped that internet sales will eventually account for a significant portion of the Group's revenue, with the introduction of fast-moving products at low prices, theme-based products such as events or star athletes' inspired collections at one-off premium as well as other technology-based new innovations produced in collaboration with other companies.

During the year, the Baidu *361°* Kids' shoes were launched. First in the industry, this smart shoe for children from the age of two, encompasses a microchip connecting to Baidu cloud, including the highly useful Global Positioning System ("GPS") features and data-tracking. At a generation where a kid is probably the only child in the family and their safety a main concern, such shoes should be largely welcome as a mobile app enables the parents to track movements of their child. Smart equipment has become the "accessory" of sports and living and shares huge market space.

All of Group's e-commerce entities are out-sourced to an independent third party in Quanzhou called "多一度（泉州）電子商務有限公司" although there are plans to bring this operation inhouse eventually. This e-commerce company also help distributors/retailers to clear their slow-moving or obsolete stocks at the retail level, details of which are uploaded and then put forward for sale at agreed discounted prices. This approach has helped to keep retailers' inventory moving and ease up working capital.

Joint-Ventures

The Group currently has two joint-ventures:

One Way

In late 2013, the Group entered into a joint-venture with One Way Oy of Finland in a 70:30 partnership with a view of developing a new sector in sportswear, namely winter sports. Like *361°*, One Way is a relatively new brand but has had notable success in the Northern European markets, including endorsing a number of athletes who used their equipment en route to podium positions in the 2014 Sochi Winter Games.

Developing a new brand in China is not easy. It requires continuous investment and a consistent brand message, especially in a sport that is not particularly well-known in China. However, Beijing's successful bid to host the 2022 Winter Olympics and becoming the first city in the world to have both the Summer and Winter editions, boosted publicity and the Chinese Central Government has shown strong commitment to develop such sports as skiing and ice-skating.

Skiing equipment (except clothing) in China is still rare which brings new opportunities for us. Encouraged by such developments and also the rising popularity of winter sports, the *361°* One Way joint-venture has opened 47 self-operated outlets in as many as 23 key cities in China, meeting the demand of an increasingly affluent society. All of these outlets are on rented premises of local well-known department stores, and lining up head-to-head with competition.

One Way has two strong product groups: apparel and footwear. In both segments, the brand competes with the likes of Columbia, North Face and specialists such as Mammut and Patagonia. The joint-venture is not yet profitable but the ground work has been laid and better prospects are expected in the run-up to 2022.

To contribute its share towards the development of the winter sports industry in China, One Way has signed a co-operation agreement with the Chinese Nordic Ski Federation and sponsoring various championships.

Sole Manufacturing JV

As early as 2009, the Group has identified the sole of a pair of shoes can be a key competitive advantage and building on the relationship the Group has had with First Union International Industrial Ltd. of Taiwan, a 51:49 joint-venture was formed with the view of supplying the most of the Group's demands at a very competitive price.

As at 31 December, 2015, this joint-venture has developed into a unit with the capacity of producing approximately 14 million pairs of soles and its other major OEM clients include a prestige Danish footwear manufacturer.

Overseas Business

The Group continued to diversify its business by tapping into the growth potential of other business. In 2014, the decision was taken to lay the groundwork for the internationalization of the *361°* brand. The Group ended the distributorship of overseas business with a distributor and started to run overseas sales by itself. It is headed by a Taiwanese general manger with his independent unit who directly report to the president of the Group. With the existing point of sales in the various countries of Middle East, South America and South East Asia, the unit started the Group's new overseas operations it expands its reach to Brazil, United States and Europe. This coincided with the opportunity to invest in a sponsorship of the 2016 Rio Olympic and Paralympic Games and expectedly, Brazil and the United States became the Group's first overseas markets (the "Overseas Business").

The Overseas Business is run by a team of seasoned professionals based in Taiwan and in California, United States. Its research and development team base in Taiwan. This team has developed its own patented technology, the Quikfoam, a revolutionary technology that uses a CPU coating to the mid-sole blend to create a superior foam for additional comfort and support. For tariff reasons, the shoes are produced in Vietnam by a third party OEM.

The market appears to have welcomed such innovation in that two particular shoes, the Sensation and the KgM2 have won industry awards for comfort, durability and value. This is a commendable effort considering that the brand is new in the United States and has not spent much on advertising.

Building a brand in an overseas market is not easy and requires substantial time and investment. The Group currently markets primarily to specialist stockists in the United States and Brazil, as many as 116 such stores in 27 different states and 415 stores, respectively, carry these products as at the end of 2015. The management team develops the brand from the grass-root level up: hosting local running events and working directly with personal trainers, fitness instructors and city sports clubs.

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a growth of 14.1% on revenue of RMB4,458.7 million year-on-year. The increase was mainly a reflection of 11%, 16% and 18% growth in the order of 2015's spring/summer, autumn and winter trade fair, respectively. All the products ordered for 2015 have been fully delivered to distributors.

The percentage growth on the sales trade fairs held in 2015 had slowed down, decreasing from 18% growth to under 10% which was mainly due to two reasons: (1) the broadened base of trade fairs held in 2014. In the first quarter of 2014, the sportswear industry showed signs of a turnaround at the Group's 2014 winter trade fair held. Sales momentum encouraged both distributors and retailers to increase the amount of orders by 8% year-on-year. The growth trend continued on the following trade fairs held in 2014 and recorded a +11% and +16% for the 2015 spring/summer and autumn trade fairs, respectively. Although the upward trend continued in 2015, the enlarged base of orders reduced the percentage growth on the sales trade fairs held in 2015. The Group believes that the growth is sustainable with the strong support in the sportswear industry from the Chinese government; and (2) China experienced a warm winter in December 2015 which discouraged distributors and retailers to place orders for 2016's autumn trade fair products held in the last month of 2015. As the weather became normal in January and February 2016, the Group was optimistic on the order to be placed in the 2016 winter trade fair in March 2016.

Revenue from footwear and apparel products grew by 21.3% and 8.1%, respectively, whereas accessories slightly decreased by 0.2% as compared to 2014. The proportion of footwear sales to the total revenue increased from 39.8% in 2014 to 42.3% in 2015 which was close to the 42.5% of apparel sales to the total revenue in the year. The increase in the revenue contribution from footwear products was due to the Group became more focused on such products.

With the continuous improvement on products, both the volume sold and the average wholesale selling price ("the AWP") of footwear recorded an increase by 11.2% and 9%, respectively in 2015 as compared to 2014. On the other hand, although the AWP of apparel improve by 8.3% in 2015 as compared to 2014 with the introduction of various functionality products in the year, the amount of unit sold slightly reduced by 0.3% during the same periods for the fact that distributors were cautious to make order because of the stiff apparel market competition.

For accessories, the Group always regards this category of products as complimentary to the core sales and the base of product mix was wide. During the year under review, the Group intentionally offered more low-priced items to induce a higher sales volume, thus the amount of volume sold pushed up by 37.9% as compared to 2014 while the AWP of accessories shrank by 29.1% and the amount of sales could be maintained close to RMB90 million year-on-year.

The revenue of *361°* Kids maintained its momentum and grew by 16.0% in 2015 as compared to 2014 to RMB588.9 million, and accounted for 13.2% of the Group's revenue. The increase in revenue reflected the established customer base for the kids wear business, a segment that has continued to demonstrate its potential for further growth.

The new overseas business recorded a total revenue of RMB44.7 million which contributed about 1.0% of the total revenue of the Group.

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

	For the year ended 31 December 2015 RMB'000	% of Revenue	For the year ended 31 December 2014 RMB'000	% of Revenue	Changes (%)
By Products					
Revenue					
Adults					
Footwear	**1,884,788**	**42.3**	1,554,280	39.8	+21.3
Apparel	**1,895,915**	**42.5**	1,753,929	44.9	+8.1
Accessories	**89,069**	**2.0**	90,574	2.3	-0.2
Kids	**588,929**	**13.2**	507,503	13.0	+16.0
Total	**4,458,701**	**100**	3,906,286	100	+14.1

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

	For the year ended 31 December 2015		For the year ended 31 December 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)	**20,018**	**94.2**	17,996	86.4	+11.2	+9.0
Apparel (pieces)	**23,805**	**79.6**	23,876	73.5	-0.3	+8.3
Accessories (pieces/pairs)	**7,929**	**11.2**	5,749	15.8	+37.9	-29.1
Kids	**8,953**	**65.8**	7,931	64.0	+12.9	+2.8

Note:

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

Through continuous efforts in strengthening product innovation and enhancing research and development capabilities, the Group will achieve greater product differentiation and stronger

Cost of Sales

Cost of sales for the Group for the year increased by 14.1% to RMB2,635.7 million.

During the year under review, the raw material cost of self-produced products reduced year-on-year which was a benefit of the continuous decline on key material prices, petrochemical. Although both labor cost and factory overhead increased, the overall cost of self-produced footwear decreased. In additions, the pricing of outsourced footwear remained stable, therefore, the total cost of footwear decreased. However, the innovation on new models and design of apparel necessitated high quality and functional materials, and rigid standard requirement in manufacturing caused an increase in the cost of both self-produced and outsourced apparel.

All in all, the total cost of sales as percentage of revenue remained stable at 59.1% year-on-year.

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

	For the year ended 31 December 2015		For the year ended 31 December 2014	
	RMB'000	**% of total costs of sales**	RMB'000	% of total costs of sales
Footwear & Apparel (Internal Production)				
Raw materials	**507,314**	**19.2**	568,555	24.6
Labour	**168,042**	**6.4**	142,699	6.2
Overheads	**315,137**	**12.0**	307,847	13.3
	990,493	**37.6**	1,019,101	44.1
Outsourced Products				
Footwear	**550,947**	**20.9**	423,246	18.3
Apparel	**1,034,508**	**39.2**	808,284	35.0
Accessories	**59,790**	**2.3**	58,859	2.6
	1,645,245	**62.4**	1,290,389	55.9
Cost of sales	**2,635,738**	**100**	2,309,490	100

Gross profit and gross profit margin

Gross profit was RMB1,823.0 million for year of 2015 and the gross profit margin maintained at 40.9%.

During the year under review, the gross profit margin of footwear increased by 2.3 percentage point to about 40.9%. The increase was mainly due to the increase in the AWP of footwear by the introduction of new products with high-tech material which broadly accepted by the market as well as the benefit on the decrease of key raw material prices for the production of footwear.

On the other hand, the competition on apparel market was still tough, although the Group could still increase the AWP, the material cost on the use of new models was much higher than the selling price thus reduced the gross profit margin from 43.0% to 40.9%.

For accessories, the gross profit margin decreased by less than a percentage point to 37.9%. The sales contribution of accessories only constituted about 2% of the total revenue in the year. The Group considered the fluctuation is within an acceptable range.

The gross profit margin for kids' wear business was stable with only at about 0.3% percentage point increase to 41.0%. The growth was mainly contributed by the slight improvement in the gross profit margin on kids' footwear.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the year ended 31 December 2015		For the year ended 31 December 2014		
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Changes percentage point
Adults					
Footwear	**771,040**	**40.9**	600,504	38.6	+2.3
Apparel	**776,793**	**40.9**	754,648	43.0	-2.1
Accessories	**33,793**	**37.9**	35,014	38.7	-0.8
Kids	**241,337**	**41.0**	206,630	40.7	+0.3
Total	**1,822,963**	**40.9**	1,596,796	40.9	–

Other revenue

Other revenue of RMB154.9 million (2014: RMB112.9 million) was mainly comprised of (i) accrued interest income of RMB98.5 million (2014: RMB77.6 million) earned from both the bank deposits in Hong Kong and the PRC; and (ii) the government subsidies of RMB35.2 million (2014: RMB23.4 million) constituted subsidies of RMB31.3 million in relation to the corporate tax paid in previous year.

Other net gain

Other net gain of RMB27.3 million was mainly attributable to the foreign exchange difference incurred by the RMB1.5 billion 7.5% senior unsecured notes due 2017, which were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (bond stock code: 85992) ("the Notes"). Although the Notes were denominated in Renminbi, it was issued in Hong Kong and was booked under the Company with functional currencies other than Renminbi. The gain has also been offset by the foreign exchange loss from the placement of Renminbi deposit in Hong Kong and the exchange loss of overseas offices denominated in currencies other than Renminbi.

Selling and distribution expenses

During the year under review, selling and distribution expenses decreased by 7.3% to RMB712.9 million (2014: RMB769.2 million). The decrease was primarily a result of the reduction in advertising and promotion expenses.

Starting from 2015, the Group categorises rack subsidies as one of the categories under advertising and promotion expenses. Such expenses including rack subsidiaries were RMB570.5 million (2014: RMB653.0 million) accounting for approximately 12.8% (2014: 16.7%) of the Group's revenue.

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 through the provision of fixtures and fittings for displaying products to them and retailers 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 year under review, the subsidies were given to 1,969 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, Mr. Yang Xu, and two athletes from the Chinese national swimming team, Mr. Ning Zetao and Ms. Ye Shiwen at the beginning of this year. All the relevant costs started to amortise from the effective date 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 85.7% to RMB377.6 million for the year ended 31 December 2015 (2014: RMB203.3 million) and represented about 8.5% (2014: 5.2%) of the Group's revenue. The increase was mainly due to the fact that there was no addition in the provision of impairment losses during the year as compared to RMB111.4 million reversal of impairment losses recognized in 2014. The increase was also due to the additions of expenses for research and development and depreciation cost.

Research and development expenses were RMB139.6 million (2014: RMB95.7 million), or 3.1% (2014: 2.4%) of the revenue for the year under review. The Group continuously invests in both internal and external research and development teams to enhance the products' development and competitiveness.

The depreciation and amortization costs were RMB42.7 million (2014: RMB35.1 million). The additions were mainly in relation to the newly established Xiamen headquarter and the new administrative building in Wuli Industrial Park, Jinjiang in the second half of the year under review.

Finance Costs

During the year under review, financing costs increased to RMB125.5 million (2014: RMB92.2 million), including mainly the RMB123.9 million for the relevant interest and cost in relation to the Notes amortized over the year. The balance of RMB1.2 million and RMB0.4 million were in relation to the banking facilities for a manufacturing joint venture for production of soles during the year and a mortgage bank loan of RMB15.1 million as at 31 December 2015 for financing the purchase of an office in Hong Kong, respectively.

On 12 September 2014, the Group issued the Notes and the finance cost accrued for the year was RMB123.9 million in which RMB112.5 million was in relation to the accrued interest for the year and RMB11.4 million was the relevant cost incurred for the issuance of the Notes amortised over the tenor of three years.

Income tax expenses

During the year under review, income tax expenses of the Group amounted to RMB259.5 million (2014: RMB202.3 million) and the effective tax rate for the year was 32.9% (2014: 33.3%). The Group's four main PRC-based operating subsidiaries were all subject to standard corporate income tax rate of 25% whereas no provision has been made for profit tax of the subsidiaries in Hong Kong since no operating income was generated in the city. As the Notes (as defined below) were issued and listed in Hong Kong, the relevant interest and cost had been all accrued and paid by the holding company. Such finance cost was not allowed to be deducted from the taxable income of the China-based operating subsidiaries, thus effective tax rate at the Group level was higher than the PRC standard corporate income tax rate of 25%.

DIVIDEND FOR THE YEAR

The Board recommended to declare a final dividend of HK6.3 cents (equivalent to RMB5.3 cents) per share, subject to approval by the Company's shareholders at the forthcoming annual general meeting. Including the interim dividend of RMB5.0 cents per share for the six months ended 30 June 2015 already paid, if final dividend will be approved, total payout for the year will amount to RMB10.3 cents per share or RMB213.0 million in aggregate, representing 41.1% of the profit attributable to equity shareholders of the Group for the year ended 31 December 2015. It is expected that the final dividend, if approved by Company's shareholders at the forthcoming annual general meeting of the Company, will be paid to shareholders on or about 13 May 2016.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("the AGM") of the Company will be held on Monday, 25 April 2016. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 April 2016 to Monday, 25 April 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 April 2016.

The proposed final dividend is subject to the passing of an ordinary resolution by the Company's shareholders at the AGM. The record date for entitlement to the proposed final dividend is Wednesday, 4 May 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 29 April 2016 to Wednesday, 4 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 April 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2015, net cash inflow from operating activities of the Group amounted to RMB245.4 million. As at 31 December 2015, cash and cash equivalents, including bank deposits and cash in hand, and fixed deposits with original maturities not exceeding three months, amounted to RMB2,286.2 million, representing a net increase of RMB158.3 million as compared to the position as at 31 December 2014. The net increase was mainly attributable to the following items:

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash generated from operating activities	**245,433**	911,184
Net capital expenditure	**(253,316)**	(114,571)
Dividends paid	**(165,408)**	(103,380)
Withdrawal/(placement) of pledged deposit	**53,869**	(137,995)
Repayment of bank loans	**(1,026)**	(587)
Payment for repurchase of convertible bonds	**–**	(944,413)
Proceeds from issuance of senior unsecured notes	**–**	1,463,889
Withdrawal/(placement) of deposits (with maturity over three months)	**300,000**	(1,478,253)
Interest received	**92,523**	65,487
Interest paid	**(114,120)**	(1,367)
Other net cash inflow/(outflow)	**383**	(27,274)
Net increase/(decrease) in cash and cash equivalents	**158,338**	(367,280)

The positive net cash generated from operating activities amounted of RMB245.4 million for the year ended 2015 was mainly from the operating profit for the year under review.

During the year under review, certain capital expenditure amounted RMB253.3 million was incurred mostly for the new headquarter in Xiamen, the administrative building and research & development centre in Wuli Industrial Park, Jinjiang. The pledged deposit reduced by RMB53.9 million year-on-year which was principally used for the issuance of bills payable to suppliers. The Group repaid about RMB1.0 million mortgage bank loan for the office in Hong Kong and the interest payment of RMB114.1 million which was mainly the interest for the RMB1.5 billion 7.5% senior unsecured notes issued in 2014.

The Group's gearing ratio was 17.1% as at 31 December 2015 (2014:17.6%), there was no material change on the structure of debts and assets in the year.

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

FOREIGN EXCHANGE RISK

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group also pays declared dividends in Hong Kong dollars. During the year ended 31 December 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 31 December 2015, a building with net book value of RMB46,000,000 (31 December 2014: RMB43,471,000) was pledged as security for a banking facility of the Group of RMB42,387,000 (31 December 2014: RMB40,101,000). The aforesaid banking facility was used to finance the acquisition of an office unit and the trading activities of a subsidiary in Hong Kong. The office unit is for the Group's own use and not for any investment purpose. Bills payable as at 31 December 2015 were secured by pledged bank deposits of RMB122.0 million.

WORKING CAPITAL MANAGEMENT

The average working capital cycle for the year ended 31 December 2015 was 69 days (2014: 75 days). The decrease was mainly due to the improvement from trade and bills receivable turnover days. The trade and bills payable turnover day remained stable with the inventory turnover days slightly increased by 1 day.

The average trade and bills receivable cycle was 160 days as at 31 December 2015 (2014: 167 days), which represented a decrease of 7 days. All the trade debts and bills receivables were within 180 days and 94.1% were neither considered as past due nor impaired. The Group has been staying in touch with all distributors and believe there will be continuous improvement in the trade and bills receivables with the rebounding of sportswear industry.

The average inventory turnover cycle was 78 days for the year ended 31 December 2015 (2014: 77 days) represented an amount of RMB552.0 million, slightly decreased by 3.2% as compared to RMB570.1 million year-on-year. About 92.5% of the stock were finished goods and were mainly 2016 spring products. All products were either self-produced or manufactured by OEMs in accordance with the orders placed by distributors at the trade fairs held in the year, no extra stock was produced and kept by the Group. The Group had never experienced any request for return or buy-backs of stocks from distributors.

For the year ended 31 December 2015, prepayments to suppliers were RMB520.8 million (2014: RMB584.1 million), representing a decrease of 10.8% year-on-year. The prepayment was deposit paid to suppliers for the confirmation and acceptance of orders for production of products in respective of 2016 spring and summer trade fairs. The Group has adjusted the timetable for trade fairs held in the year and the prepayment for the 2016 autumn trade fair held in December 2015 has deferred to be paid in the following year. The balance of other prepayments was mainly for the advertising contracts entered.

The average trade and bills payable cycle maintained at 169 days for the year ended 31 December 2015 (2014: 169 days).

SENIOR UNSECURED NOTES

On 12 September 2014, the Company issued the Notes with an aggregate principal amount of RMB1.5 billion at an interest rate of 7.5% per annum due 12 September 2017 at an offering price of 99.472% of the aggregated principal amount of RMB1.5 billion and listed on the Stock Exchange (bond stock code: 85992). The net proceeds were mainly used to finance of the redemption of the US$150 million 4.5% convertible bonds due 2017 (ISIN: XS0758843626) that were issued in 2012 (the "Convertible Bonds"), and for general working capital purposes.

EMPLOYEES AND EMOLUMENTS

As at 31 December 2015, the Group employed a total of 9,566 full time employees which included management staff, technicians, salespersons and workers. For the year ended 31 December 2015, the Group's total remuneration of employees was RMB371.6 million, representing 8.3% of the Group's revenue. 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 Group continues to see a bright future for its business and its products which are highly competitive in both design and price. With the Chinese Central Government's directive to promote sports in all schools, the future generation of youth will have an education that is firmly based on physical activities which will evolve to be part of their life-style and form the bedrock of a healthy and active society.

Competition will always remain intense and often stifling but the Group will continue to invest in research and development to ensure that it remains at the leading edge of new product technology. The Group planned to set up its own e-commerce business capabilities to realize a long-term profit model and maintain a meaningful role in the industry.

With a slowing economy and rising competition, there will be difficult challenges in the path ahead. However, the Group's strong financial position and stable share structure lend firm support to its operations and will help it to overcome future challenges.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2015.

BUSINESS REVIEW

General

For the review of the business of the Group, please refer to the section headed "Management Discussion and Analysis — Business review" on pages 8 to 25 of this report.

Principal risks and uncertainties facing the Group

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the sportswear market in the PRC

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

Risks pertaining to the distributorship model

The Group relies primarily on a number of third-party distributors for sales of the Group's products. Each distributors has exclusive distribution rights over a certain geographical area, the failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorized retailers in such area. Besides, the Group does not have direct control over the authorized retailers to ensure their compliance with the Group's policies, including operational requirements, exclusivity, customer service, store image and pricing. Non-compliance with the Group's policies may cause material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Operational risks

The Group's operation is subject to a number of risk factors distinctive to the sportswear market. Default on the part of the Group's distributors, suppliers and joint ventures partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

Past performance and forward looking statements

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialize or turns out to be incorrect.

Post year end events

Except as disclosed in this annual report, since 31 December 2015, being the end of the financial year under review, no important event has occurred affecting the Group.

Analysis of key financial performance indicators

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

Environmental policies and performance

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including permit requirements.

Compliance with Laws and Regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in the PRC and Hong Kong, applicable to it to ensure compliance. Substantially a majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. The Group was listed on the Stock Exchange of Hong Kong on 30 June 2009. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Account of the Group's key relationships

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered the relationship with employees was well and the turnover rate is acceptable.

(ii) Suppliers

The Group's suppliers include raw material suppliers and contract manufacturers. A majority of footwear is produced by the Group itself while the Group outsources a portion of footwear products, a majority of apparel products, and all of the manufacture of accessories products to third-party contract manufacturers. All key suppliers have a close and long term relationship with the Group. During the year under review, the Group considered the relationship with its suppliers was well and stable.

(iv) Distributors

The Group adopted the distributorship model ever since the beginning of 2008. Under this model, the Group primarily sells products to distributors under distributorship agreements, which generally have a term of one year. Each of the distributors has exclusive distribution right over a certain geographical area. The Group maintains very good relationship with all the distributors, with the number of distributors being always about 31 with a low turnover rate.

(iv) Authorized retailers

The Group sells products primarily to distributors, who in turn sell the same to authorized retailers. Authorized retailers then sell products to consumers. The Group's distributors enter into separate agreements with authorized retailers and require them to comply with the Group's standard operating procedures or policies, which include guidelines on the design and layout of authorized retail outlets, product pricing and customer service. The Group keeps a good relationship with all the authorized retailers through distributors, who act as the bridge of communication.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 12 to the financial statements on pages 77 to 78 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the group's total	
	Sales	**Purchases**
The largest customer	10%	
Five largest customers in aggregate	33%	
The largest supplier		7%
Five largest suppliers in aggregate		26%

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2015 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 48 to 100 of this annual report.

TRANSFER TO RESERVES AND DIVIDENDS

Profits attributable to equity shareholders, before dividends, of RMB517,639,000 (2014: RMB397,642,000) have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of RMB5.0 cents per share (2014: RMB5.0 cents per share) was paid on 8 September 2015. The Directors recommend, subject to the Company shareholders' approval at the forthcoming AGM, the payment of a final dividend of HK6.3 cents (equivalent to RMB5.3 cents) per share (2014: RMB3.0 cents per share) for the year ended 31 December 2015.

CHARITABLE DONATIONS

Charitable donations made by the Group during the financial year amounted to RMB420,000 (2014: RMB1,992,000).

FIXED ASSETS

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

CONVERTIBLE BONDS

Details of the Convertible Bonds issued by the Company are set out in note 20 to the financial statements.

SENIOR UNSECURED NOTES

Details of the Notes issued by the Company are set out in note 20 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24(c) to the financial statements.

PURCHASES, SALES OR BUY-BACKS OF THE COMPANY'S SECURITIES

The Company or any of its subsidiaries did not make any purchase, sale or buy-back of shares of the Company for the year ended 31 December 2015.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the financial year were:

Executive Directors

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

Independent non-executive Directors

Mr Yan Man Sing Frankie
Mr Tsui Yung Kwok
Dr Liao Jianwen

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

By virtue to Article 84 (1) of the Articles, Mr Ding Huihuang, Mr Ding Huirong and Mr Wang Jiabi will retire from office by rotation at the forthcoming AGM and, being eligible, each of them will offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties as at the date of this report.

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

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

LONG AND SHORT POSITION IN THE COMPANY

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

Notes:

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

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

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

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

Apart from the foregoing, as at 31 December 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).

SHARE OPTION SCHEME

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

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

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

(a) the nominal value of a share;

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

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

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

No options have been granted under the Share Option Scheme up to 31 December 2015.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 200,000,000 shares, which represented approximately 9.67% of the Company's issued share capital, and the remaining life of the Share Option Scheme was about 3 years and 4 months.

Information on the accounting policy for share options granted, the number and weighted average exercise prices of share option is provided in note 1(p)(ii) and note 22 to the financial statements respectively.

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 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% of more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group were as follows:

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

Notes:

1. The letter "L" indicates long position whereas the letter "S" indicates short position.
2. The entire issued share capital of Dings International Company Limited is owned by Mr Ding Wuhao, an executive director and the president of the Company. Mr Ding Wuhao is the brother-in-law of Mr Ding Huihuang and Mr Ding Huirong.
3. The entire issued share capital of Ming Rong International Company Limited is owned by Mr Ding Huihuang, an executive director and the chairman of the Company. Mr Ding Huihuang is the brother-in-law of Mr Ding Wuhao and the brother of Mr Ding Huirong.
4. The entire issued share capital of Hui Rong International Company Limited is owned by Mr Ding Huirong, an executive director. Mr Ding Huirong is the brother-in-law of Mr Ding Wuhao and the brother of Mr Ding Huihuang.
5. The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr Wang Jiabi, an executive director. Mr Wang Jiabi is the brother of Mr Wang Jiachen.
6. The entire issued share capital of Jia Chen International Co., Ltd. is owned by Mr Wang Jiachen, who is the brother of Mr Wang Jiabi. Jia Chen International Co., Ltd. is interested in 187,500,000 shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Each of Mr Ding Wuhao, Dings International Company, Mr Ding Huihuang, Ming Rong International Company Limited, Mr Ding Huirong and Hui Rong International Company Limited (collectively the "Covenantors" and each a "Covenantor") confirmed that, as at 31 December 2015, he/it had complied with the terms of the deed of non- competition ("Deed of Non-competition") dated 10 June 2009 signed by each of them in favour of the Group.

To monitor the compliance of the terms of the Deed of Non-competition by the Covenantors, the independent non- executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-competition for the year ended 31 December 2015.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2015 are set out in note 19 to the financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 27 to the financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules.

FINANCIAL SUMMARY

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

RETIREMENT SCHEMES

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

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

The Group's total contributions to retirement schemes charged to the consolidated income statement during the year ended 31 December 2015 amounted to RMB21,861,000 (2014: RMB20,608,000).

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE CODE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules. Upon the Company's enquires, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2015.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2015.

AUDITORS

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

By order and on behalf of the board of Directors

DING HUIHUANG
Chairman

Hong Kong, 8 March 2016

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix 14 of the Listing Rules during the year ended 31 December 2015.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

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

As at 31 December 2015, the Board comprised of four executive Directors and three independent non-executive Directors. Biographical details of the current Directors and the relationships between the Directors (if any) are set out in the section headed "Directors and Senior Management" of this annual report.

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

CORPORATE GOVERNANCE

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

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

CORPORATE GOVERNANCE REPORT

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

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

Notes:

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

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

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

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

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

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

THE ROLES OF THE CHAIRMAN AND PRESIDENT

The divisions of responsibilities between the Chairman of the Board, Mr. Ding Huihuang, and the President, Mr. Ding Wuhao, who effectively performs the functions of the chief executive officer of the Group, are clearly defined and have been approved by the Board. Mr. Ding Huihuang is the brother of Mr. Ding Huirong, and Mr. Ding wuhao is the mother-in-law of Mr. Ding Huihuang and Mr. Ding Huirong.

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

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

TERMS OF APPOINTMENT OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 June 2009, renewable upon expiry, and each of such service contracts was renewed on 30 June 2012 and 30 June 2015, respectively. Mr. Yan Man Sing, Frankie, Mr. Tsui Yung Kwok and Dr. Liao Jianwen, independent non-executive Directors, have entered into a service contract with the Company for a term of three years commencing from 9 August 2011, 1 September 2012 and 1 June 2014, respectively, which are also renewable upon expiry. The service contracts of Mr. Yan Man Sing, Frankie and Mr. Tsui Yung Kwok have been renewed to the effect that the term of each of their existing service contracts is three years commencing from 9 August 2014 and 1 September 2015, respectively.

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

COMPANY SECRETARY

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Audit Committee comprised three members who all are independent non-executive Directors, namely Mr. Yan Man Sing, Frankie, Mr. Tsui Yung Kwok and Dr. Liao Jianwen. Mr. Yan Man Sing Frankie is the Chairman of the Audit Committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2015, including the accounting principles and practice adopted by the Group.

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards; and

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

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

The Audit Committee held three meetings during the year ended 31 December 2015 with two meetings having been attended by external auditors. The meetings discussed the auditing, internal controls and financial reporting matters of the Company. The Audit Committee has: (i) considered significant or unusual items that are, or may need to be, reflected in the reports and accounts and matters that have been put forward by the Company's staff responsible for the accounting and financial reporting function as well as external auditors; (ii) oversighted the Company's financial reporting system and internal control procedures to review the Company's financial controls, internal control and risk management systems; and (iii) discussed with the management about the internal control system of the Company to ensure that management has performed its duty to have an effective internal control system. The discussion also included (i) the adequacy of resources; (ii) staff qualifications and experience; (iii) training programmes and budget of the Company's accounting and financial reporting function; (iv) major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (v) review of the Group's financial and accounting policies and practices and the external auditors' management letter; (vi) material queries raised by the external auditors to management about accounting records, and financial accounts and systems of control as well as management's responses. For the details of members' attendance of the Audit Committee's meeting, please refer to the table on P.36.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the "Remuneration Committee") was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Remuneration Committee comprised three members, namely Mr. Wang Jiabi, Dr. Liao Jianwen and Mr. Yan Man Sing Frankie. Dr. Liao Jianwen, an independent non-executive Director, is the chairman of the Remuneration Committee.

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

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

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

The Remuneration Committee held one meeting to review and approve the remuneration packages of Directors and senior management of the Group during the year ended 31 December 2015.

For the details of members' attendance of the Remuneration Committee Meeting, please refer to the table on P.36.

NOMINATION COMMITTEE

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

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

The Nomination Committee held one meeting in the year ended 31 December 2015 to nominate the members of Board for retirement and re-election at the forthcoming AGM and to review the structure, size and composition of the Board. For the details of members' attendance of the Nomination Committee meeting, please refer to P.36.

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

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

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

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

Auditors' Remuneration

During the year ended 31 December 2015, the remuneration paid or payable to the external auditors, in respect of their audit and non-audit services are as follows:

	2015
Statutory audit services	RMB3,600,000
Non-audit services	RMB109,000

Risk Management and Internal Control

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Relationship with Investors

The Board recognises that effective and timely communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors, so the Group continuously places great importance on proactive communication with its existing and potential shareholders and investors. The primary communication channel between the Company and its shareholders is the publication of annual reports and interim reports, announcements, circulars and notices to shareholders.

The Board also recognises that the information on business performance, business strategies and future outlook should be made available to the public through appropriate channels on a regular basis and in a timely manner. After the public announcements of annual and interim results are made, the Group also holds investors and analysts' briefings in Hong Kong. Senior management team including the President, Chief Financial Officer, Vice President of the Board will analyze the results of the Group during the Reporting Period, elaborate on the Group's business development and address any questions and concerns from investors. The Group's results announcement, after it is published on the website of the Hong Kong Stock Exchange, will also be posted on the Company's website in due time.

The Group's Investor Relations Department has maintained close communications with shareholders and investors through email, conference call, one-on-one meetings, and non-deal roadshow, to ensure that investors and shareholders have received the Company's updates in a fair and timely manner and to facilitate their investment decision-making. Our Investor Relations Department is also responsible for answering investors' enquiries on a timely basis. The Group welcomes all investors to continue to give their opinions and suggestions to the Group. The investors may also check our Investor Relations website at http://ir.361sport.com/where the Group's announcements, financial information, stock quotes, analyst coverage, and other information are posted.

The Group's annual general meeting in 2015 further provides a platform and opportunity for our shareholders to exchange their views with the Company. The Chairman of the Board, as well as Chairmen of the Audit Committee, Nomination Committee, and Remuneration Committee, or in their absence, other members of each committee, are available to answer questions at the meeting.

Voting by Poll

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

Convening of extraordinary general meeting on requisition by Shareholders

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

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

Procedures for putting forward proposals at general meetings

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Constitutional Documents

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2015.

DIRECTORS

Executive Directors

Mr. Ding Wuhao (丁伍號), aged 50, jointed the Group in June 2003 and was appointed as an executive Director in August 2008 and is the president of the Company. He is primarily responsible for the Group's overall strategies, planning and business development. He has over 15 years of experience in the PRC sportswear industry. Since December 2006, he has been a member of the Chinese People's Political Consultative Conference ("CPPCC") Fujian Province Jinjiang City Committee (中國人民政治協商會議福建省晉江市委員會). In October 2008, he received the award of the "2008 Most Socially Responsible Entrepreneur in China" (2008年度中國最具社會責任企業家) by the Annual Selection Organising Committee of China Human Resources Management (中國人力資源管理年度評選組委會). In May 2009, he received the "Contribution Award for China TV Sports Programmes" (中國體育電視貢獻獎)by CCTV Sports Channel (中央電視台體育頻道). In 2010, he was awarded "Top Ten Chinese Entrepreneur of Integrity of the Year (創業中國年度十大誠信人物獎)" by "Example for China (《榜樣中國》)", "Outstanding Contribution Award for Asian Games (亞運突出貢獻獎)" by 16th Asian Games Organizing Committee (第十六屆亞運會組委會), and "Outstanding Contribution Award of Asian Games (亞洲體育傑出貢獻獎)" by Olympic Council of Asia (亞洲奧林匹克理事會). In 2011, he was awarded "The Most Caring Chinese Entrepreneur on Staff's Development (中國最關注員工發展企業家)" at the eighth session of China Human Resource Management Innovation Summit (第八屆中國人力資源管理創新高峰會) and "Top Ten Youth Business Leader in Asia (亞洲十大青年商業領袖)" by Forbes. He completed a CEO in China's Enterprise/Finance program at the Cheung Kong Graduate School of Business in August 2012. Mr. Ding is the brother- in-law of Mr. Ding Huihuang and Mr. Ding Huirong, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Dings International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huihuang (丁輝煌), aged 50, jointed the Group in June 2003 and was appointed as an executive Director in August 2008 and is the chairman of the Company. He is primarily responsible for overall strategies, operation planning and footwear production. He has over 15 years of experience in the PRC sportswear industry. He was awarded the "Top Ten Outstanding Youths in China Industrial Economy" (中國工業經濟十大傑出青年) by the Organising Committee of China Industry Forum (中國工業論壇組委會) in January 2008 and the "Top Ten Outstanding Youth Entrepreneurs of Quanzhou City" (泉州市十大傑出青年企業家) jointly issued by 18 governmental and commercial institutions in Quanzhou City, Fujian Province, the PRC in February 2007. He has been a standing member of the third committee of Quanzhou City Shoe Commercial Association (泉州市鞋業商會) and a vice chairman of Fujian Province Shoe Industry Association (福建省鞋業行業協會) since January 2006 and January 2007 respectively. Mr. Ding is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Ming Rong International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huirong (丁輝榮), aged 44, jointed the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for financial management and infrastructure construction management of the Company, more specifically the construction of the new production facility and warehouse of the Group at the Wuli Industrial Park. He has over 15 years of experience in financial management. Mr. Ding is the younger brother of Mr. Ding Huihuang and the brother-in- law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Hui Rong International Company Limited, a substantial shareholder of the Company.

Mr. Wang Jiabi (王加碧), aged 58, jointed the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for the human resources and external public relationship. Mr. Wang has over 15 years of experience in the PRC sportswear industry. He has completed an EMBA programme offered by Peking University (北京大學) in January 2010. Mr. Wang is the sole director and sole shareholder of Jia Wei International Co., Ltd., a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Yan Man Sing Frankie (甄文星), aged 58, joined the Group in August 2011 and is an independent non-executive Director. Mr. Yan has over 20 years of experience in financial management, corporate governance, corporate financial advisory, mergers and acquisitions. He is currently a Managing Director of the corporate finance department of a state-owned PRC securities house's Hong Kong office. He holds a fellowship of the Hong Kong Institute of Certified Public Accountants (the"HKICPA") and the Association of Chartered Certified Accountants (the "ACCA"). His public services include (i) a membership of the Election Committee of the Hong Kong Special Administrative Region, (ii) the treasurer of the Vascular and Interventional Radiology Foundation (透視微創治療基金) and (iii) a Secretary and the Financial Services Spokesman of a think tank which conducts research into Hong Kong's public policies.

Mr. Tsui Yung Kwok (徐容國), aged 47, joined the Group in September 2012 and is an independent non-executive Director. Mr. Tsui has over 20 years of experience in accounting and finance. He was awarded a bachelor degree in Business (Accounting) from Curtin University of Technology, Australia and a master degree in Corporate Governance from The Hong Kong Polytechnic University. He is currently the chief financial officer, the company secretary and an executive director of Ju Teng International Holdings Limited (Stock code: 03336). He is also an independent non-executive director of Shenguan Holdings (Group) Limited (Stock code: 00829), SITC International Holdings Limited (Stock code: 01308) and Cabbeen Fashion Limited (Stock code: 02030). Mr. Tsui is a member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Chartered Secretaries and a certified public accountant of the HKICPA.

Dr. Liao Jianwen (廖建文), aged 48, joined the Group in June 2014 and is an independent non-executive Director. He is the Associate Dean, Academic Director of Innovation Center, and Professor of Managerial Practice in Strategy, Innovation and Entrepreneurship at the Cheung Kong Graduate School of Business. His professional experience spans across North America and Asia. He was a tenured associate professor at the Stuart School of business, Illinois Institute of Technology during 2006 to 2012. Additionally, he held various visiting professor positions at Hong Kong University of Science and Technology, China European International Business School (the "CEIBS") and Peking University. Dr. Liao is primarily engaged in cross disciplinary research in strategy, innovation and entrepreneurship, and in particular the interactions between new economy and traditional economy. He has won several awards for his research and teaching, including the research grant awards from the US Small Business Administration in 2007 and 2008 and the Excellence in Teaching Award in 2009 at Stuart School of Business at Illinois Institute of Technology. Dr. Liao also serves as an independent director at Colour Life Services Group Co. (Stock code: 01778), China Mengniu Dairy Company Limited (Stock code: 02319) and Qihoo 360 (Stock code: QIHU). Dr. Liao received his Bachelor of Engineering from Northeastern University in July 1988, his Master of Economics from Renmin University of China in February 1991 and his Ph.D of Business Administration from Southern Illinois University at Carbondale in August 1996.

SENIOR MANAGEMENT

Mr. Chen Yongling (陳永靈), aged 42, is the vice president in the office of the board of directors of the Group and is primarily responsible for the execution of the strategies of the Group and overall capital operation management. He joined the Group in August 2005. Mr. Chen has over 15 years of experience in finance, operation and business management. Mr. Chen received his diploma in business management from Zhejiang University (浙江大學) in January 2007. Mr. Chen holds a qualification certificate for accounting (中國會計師) and national secretary qualification (second class) 秘書資格國家二級) conferred by the Ministry of Finance of the PRC,a qualification certificate for economics (經濟師) of the PRC, a qualification certificate for finance management (財務管理師) and received the Certificate of Qualification for International Certified Senior Accountant (國際註冊高級會計師) awarded by the International Profession Certification Association (國際認證協會). He received the awards of the “2011 Chinese Year of the Chief Accountant” (2011中國總會計師年度人物獎) and “2013 Chinese Economist” (2013中國經濟人物) by the “China Association of Chief Financial Officer” (中國總會計師協會) and the “Committee of China Economic Development Forum” (中國經濟發展論壇組委會), respectively. He enrolled in an EMBA program at Cheung Kong Graduate School of Business in October 2015.

Mr. Lu Ning (盧寧), aged 48, is the executive vice president of the Group in charge of the footwear business, apparel business, product centre and operation department of the Group. He has over 20 years experiences in managing international renowned sportswear brands. He joined the Group in March 2013. Mr. Lu received his bachelor’s degree in Economic Investment from the Nanjing University (南京大學) in 1996 and enrolled the Executive Master of Business Administration (EMBA) at the China Europe International Business Schoo (中歐國際工商學院) in March 2011.

Mr. Lin Bing Huang (林炳煌), aged 58, is the general manager of International Business Department of the Group and primarily responsible for the development and daily operation of the Group’s overseas business. He has over 30 years experiences in managing international renowned sportswear brands. He joined the Group in August 2013. Mr. Lin received his bachelor’s degree in International Trade from Tunghai University (東海大學) in Taiwan.

Ms. Choi Mun Duen (蔡敏端), aged 47, joined the Group in October 2008 and is the chief financial officer, an authorized representative and the company secretary of the Company. She has over 20 years of experience in auditing, finance and accounting. She received her bachelor’s degree in accounting and finance from University of Glamorgan in the U.K. She is a certified public accountant of the HKICPA and a fellow member of the ACCA.

Ms. Zhan Xiao Xiao (詹瀟瀟), aged 34, is the vice-president of investor relations and is primarily responsible for the Group’s investor relations programme. She joined the Group in October 2015. Ms. Zhan has over 10 years of experience in corporate finance, investor relations, corporate governance and management from her previous positions in investment banking, communication advisory and Hong Kong Listed Company. She received her bachelor’s degree from Peking University, majoring in International Relations and double majoring in Economics. She received her master’s degree from the University of Pennsylvania in 2005, majoring in International Political Economy.

Mr. Chen Jian Ci (陳建次), aged 45, is the vice president of supply chain management center and primarily responsible for overall planning in warehouse, logistics and network, integrating data stream and managing enterprise information system deployment of the Group. He has over 15 years of experience in information system related works and has worked in world renowned enterprises. He joined the Group in December 2011. Mr. Chen received his bachelor’s degree in information management from Tamkang University (淡江大學) in Taiwan in 1995.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of 361 Degrees International Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 48 to 100, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

8 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	**4,458,701**	3,906,286
Cost of sales		**(2,635,738)**	(2,309,490)
Gross profit		**1,822,963**	1,596,796
Other revenue	4	**154,893**	112,870
Other net gain/(loss)	4	**27,279**	(12,987)
Selling and distribution expenses		**(712,895)**	(769,245)
Administrative expenses		**(377,571)**	(203,269)
Profit from operations		**914,669**	724,165
Net change in fair value of derivatives embedded to convertible bonds	20	**–**	51,661
Loss on repurchase of convertible bonds		**–**	(76,118)
Finance costs	5(a)	**(125,510)**	(92,235)
Profit before taxation	5	**789,159**	607,473
Income tax	6(a)	**(259,540)**	(202,261)
Profit for the year		**529,619**	405,212
Attributable to:			
Equity shareholders of the Company	9	**517,639**	397,642
Non-controlling interests		**11,980**	7,570
Profit for the year		**529,619**	405,212
Earnings per share	10		
Basic (cents)		**25.0**	19.2
Diluted (cents)		**25.0**	19.2

The notes on pages 55 to 100 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 24(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2015 (Expressed in Renminbi)

	2015 RMB'000	2014 RMB'000
Profit for the year	**529,619**	405,212
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	**(34,700)**	(5,567)
Total comprehensive income for the year	**494,919**	399,645
Attributable to:		
Equity shareholders of the Company	**482,939**	392,075
Non-controlling interests	**11,980**	7,570
Total comprehensive income for the year	**494,919**	399,645

The notes on pages 55 to 100 form part of these financial statements. There was no tax effect relating to the components of other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment	*11*	**1,174,446**	1,050,676
Interests in leasehold land held for own use under operating leases	*11*	**119,260**	95,450
		1,293,706	1,146,126
Other financial asset	*13*	**17,550**	17,550
Deposits and prepayments	*15*	**92,080**	96,691
Deferred tax assets	*23(b)*	**28,537**	49,971
		1,431,873	1,310,338
Current assets			
Inventories	*14*	**551,957**	570,058
Trade debtors	*15*	**2,017,676**	1,524,240
Bills receivable	*15*	**235,510**	132,013
Deposits, prepayments and other receivables	*15*	**641,385**	891,951
Pledged bank deposits	*16&17*	**122,026**	175,895
Deposits with banks	*17*	**1,500,000**	1,800,000
Cash and cash equivalents	*17*	**2,286,225**	2,130,237
		7,354,779	7,224,394
Current liabilities			
Trade and other payables	*18*	**1,659,426**	1,851,099
Bank loans	*19*	**15,116**	15,311
Current taxation	*23(a)*	**255,907**	146,374
		1,930,449	2,012,784
Net current assets		**5,424,330**	5,211,610

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Total assets less current liabilities		**6,856,203**	6,521,948
Non-current liabilities			
Deferred tax liabilities	*23(b)*	**351**	133
Interest-bearing borrowings	*20*	**1,489,395**	1,484,869
		1,489,746	1,485,002
NET ASSETS		**5,366,457**	5,036,946
CAPITAL AND RESERVES			
Share capital	*24(c)*	**182,298**	182,298
Reserves		**5,100,274**	4,782,743
Total equity attributable to equity shareholders of the Company		**5,282,572**	4,965,041
Non-controlling interests		**83,885**	71,905
TOTAL EQUITY		**5,366,457**	5,036,946

Approved and authorised for issue by the board of directors on 8 March 2016.

Ding Huihuang
Director

Ding Huirong
Director

The notes on pages 55 to 100 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company										
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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 2014:												
Profit for the year		–	–	–	–	–	–	–	397,642	397,642	7,570	405,212
Other comprehensive income		–	–	–	–	–	–	(5,567)	–	(5,567)	–	(5,567)
Total comprehensive income		–	–	–	–	–	–	(5,567)	397,642	392,075	7,570	399,645
Appropriation to statutory reserve		–	–	–	–	28,835	–	–	(28,835)	–	–	–
Equity settled share-based transaction	*22*	–	–	–	–	–	(12,859)	–	12,859	–	–	–
Dividends declared and paid during the year	*24(b)*	–	(103,380)	–	–	–	–	–	–	(103,380)	–	(103,380)
Balance at 31 December 2014 and 1 January 2015		182,298	129,087	156,252	90,489	533,062	–	(37,349)	3,911,202	4,965,041	71,905	5,036,946
Balance at 31 December 2014 and 1 January 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 2015:												
Profit for the year		–	–	–	–	–	–	–	517,639	517,639	11,980	529,619
Other comprehensive income		–	–	–	–	–	–	(34,700)	–	(34,700)	–	(34,700)
Total comprehensive income		–	–	–	–	–	–	(34,700)	517,639	482,939	11,980	494,919
Appropriation to statutory reserve		–	–	–	–	12,783	–	–	(12,783)	–	–	–
Dividends declared and paid during the year	*24(b)*	–	(62,028)	–	–	–	–	–	(103,380)	(165,408)	–	(165,408)
Balance at 31 December 2015		182,298	67,059	156,252	90,489	545,845	–	(72,049)	4,312,678	5,282,572	83,885	5,366,457

The notes on pages 55 to 100 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Operating activities			
Profit before taxation		**789,159**	607,473
Adjustments for:			
Depreciation	*5(c)*	**64,428**	65,040
Amortisation of land lease premium	*5(c)*	**2,152**	2,152
Finance costs	*5(a)*	**125,510**	92,235
Interest income	*4*	**(98,536)**	(77,581)
Net change in fair value of derivatives embedded to convertible bonds		**–**	(51,661)
Loss on repurchase of convertible bonds		**–**	76,118
Net gain on disposal of property, plant and equipment	*4*	**(77)**	(7)
Reversal of impairment loss on trade debtors	*5(c)*	**–**	(111,366)
Effect of foreign exchange rates changes		**(34,426)**	23,072
Changes in working capital:			
Decrease/(increase) in inventories		**18,101**	(160,700)
(Increase)/decrease in trade debtors		**(493,436)**	418,310
Increase in bills receivable		**(103,497)**	(47,233)
Decrease/(increase) in deposits, prepayments and other receivables		**256,582**	(243,340)
(Decrease)/increase in trade and other payables		**(152,172)**	458,149
Cash generated from operations		**373,788**	1,050,661
People's Republic of China ("PRC") income tax paid		**(128,355)**	(139,477)
Net cash generated from operating activities		**245,433**	911,184
Investing activities			
Payment for the purchase of property, plant and equipment		**(253,316)**	(114,571)
Proceeds from disposal of property, plant and equipment		**383**	142
Decrease/(increase) in pledged bank deposits		**53,869**	(137,995)
Decrease/(increase) in deposits with banks		**300,000**	(1,478,253)
Interest received		**92,523**	65,487
Net cash generated from/(used in) investing activities		**193,459**	(1,665,190)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2015 (Expressed in Renminbi)

	Note	2015 RMB'000	2014 RMB'000
Financing activities			
Proceeds from senior unsecured notes		**–**	1,463,889
Repayment of bank loans		**(1,026)**	(587)
Repurchase of convertible bonds		**–**	(944,413)
Finance charges on convertible bonds paid		**–**	(27,416)
Interest paid		**(114,120)**	(1,367)
Dividends paid	*24(b)*	**(165,408)**	(103,380)
Net cash (used in)/generated from financing activities		**(280,554)**	386,726
Net increase/(decrease) in cash and cash equivalents		**158,338**	(367,280)
Cash and cash equivalents at 1 January		**2,130,237**	2,494,280
Effect of foreign exchange rate changes		**(2,350)**	3,237
Cash and cash equivalents at 31 December	*17*	**2,286,225**	2,130,237

The notes on pages 55 to 100 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

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

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

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

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

(c) Change in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's results and financial position.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other investments in equity securities

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

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

(f) Derivative financial instruments

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

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

(i) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (Continued)

(ii) Impairment of other assets

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

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

(j) Inventories

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

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

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to be recognised in the statement of financial position.

(l) Convertible bonds

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

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

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

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

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

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

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

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

(ii) Share-based payments

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

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

(q) Income tax

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

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

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

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

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

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

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

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

  — the same taxable entity; or

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Provisions and contingent liabilities

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

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

(s) Revenue recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Government grants

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Translation of foreign currencies

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

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

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

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

(u) Borrowing costs

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

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

(v) Research and development and advertising

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

(w) Related parties

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

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

   (ii) has significant influence over the Group; or

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

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Related parties (Continued)

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(x) Segment reporting

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

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

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

2 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

Notes 25 contain information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Useful lives of property, plant and equipment

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

(ii) Impairment losses on trade debtors and bills receivable

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

(iii) Other impairment losses

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

(iv) Net realisable value of inventories

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

(Expressed in thousands of Renminbi unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(v) Income taxes

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Revenue by product type is as follows:

	2015 RMB'000	2014 RMB'000
Footwear	**2,072,483**	1,742,652
Apparel	**2,289,990**	2,067,293
Accessories	**96,228**	96,341
	4,458,701	3,906,286

The Group's customer base is diversified and has two (2014: one) customers with whom transactions have exceeded 10% of the Group's revenues. In 2015, revenues from sales of footwear, apparel and accessories in both reportable segments (see note 3(b)) to the two (2014: one) customers, including sales to entities which are known to the Group to be under common control with these customers, were approximately RMB585 million and RMB454 million respectively (2014: RMB536 million). Details of concentrations of credit risk arising from these customers are set out in note 25(a)(i).

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

(b) Segment reporting

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

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

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

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

(Expressed in thousands of Renminbi unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(i) Segment results

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below.

	***361°* Products — Adults**		***361°* Products — Kids**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment revenue	**3,869,772**	3,398,783	**588,929**	507,503	**4,458,701**	3,906,286
Cost of sales	**(2,288,146)**	(2,008,617)	**(347,592)**	(300,873)	**(2,635,738)**	(2,309,490)
Reportable segment profit (gross profit)	**1,581,626**	1,390,166	**241,337**	206,630	**1,822,963**	1,596,796

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

	2015	2014
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated revenue *(note 3(a))*	**4,458,701**	3,906,286
Profit		
Reportable segment profit	**1,822,963**	1,596,796
Other revenue	**154,893**	112,870
Other net gain/(loss)	**27,279**	(12,987)
Selling and distribution expenses	**(712,895)**	(769,245)
Administrative expenses	**(377,571)**	(203,269)
Net change in fair value of derivatives embedded to convertible bonds	**–**	51,661
Loss on repurchase of convertible bonds	**–**	(76,118)
Finance costs	**(125,510)**	(92,235)
Consolidated profit before taxation	**789,159**	607,473

(Expressed in thousands of Renminbi unless otherwise indicated)

4 OTHER REVENUE AND NET GAIN/(LOSS)

	2015 RMB'000	2014 RMB'000
Other revenue		
Bank interest income	**98,536**	77,581
Government grants	**35,194**	23,408
Others	**21,163**	11,881
	154,893	112,870
Other net gain/(loss)		
Net gain on disposal of property, plant and equipment	**77**	7
Net foreign exchange gain/(loss)	**27,202**	(12,994)
	27,279	(12,987)

Government grants of RMB35,194,000 (2014: RMB23,408,000) were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

(Expressed in thousands of Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

		2015 RMB'000	2014 RMB'000
(a)	**Finance costs**		
	Interest on bank and other borrowings wholly repayable within five years	**1,620**	1,367
	Finance charges on convertible bonds *(note 20)*	**–**	53,338
	Finance charges on senior unsecured note *(note 20)*	**123,890**	37,530
	Total interest expense on financial liabilities not carried at fair value through profit or loss	**125,510**	92,235
(b)	**Staff costs**		
	Contributions to defined contribution retirement plans	**21,861**	20,608
	Salaries, wages and other benefits	**349,757**	308,308
		371,618	328,916
(c)	**Other items**		
	Auditors' remuneration		
	— audit services	**3,600**	3,326
	— tax services	**109**	145
	— other services	**–**	494
	Amortisation of land lease premium	**2,152**	2,152
	Depreciation	**64,428**	65,040
	Reversal of impairment loss on trade debtors *(note 15(b))*	**–**	(111,366)
	Operating lease charges in respect of properties	**12,369**	14,617
	Research and development costs *	**139,646**	95,703
	Cost of inventories **	**2,635,738**	2,309,490

* Research and development costs include RMB33,122,000 (2014: RMB28,601,000) relating to staff costs of employees in the research and development department, which amount is also included in the total staff costs as disclosed in note 5(b).

** Cost of inventories include RMB240,902,000 (2014: RMB220,547,000) relating to staff costs and depreciation, which amounts are also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

(Expressed in thousands of Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2015 RMB'000	2014 RMB'000
Current tax — PRC income tax		
Provision for the year	**227,002**	171,142
Under/(over)-provision in respect of prior years	**10,886**	(5,867)
	237,888	165,275
Deferred tax		
Origination and reversal of temporary differences	**21,652**	36,986
	259,540	202,261

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

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

(iii) All PRC subsidiaries are subject to income tax at 25% for the year ended 31 December 2015 (2014: 25%) under the Enterprise Income Tax law ("EIT law").

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

	2015 RMB'000	2014 RMB'000
Profit before taxation	**789,159**	607,473
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**218,907**	188,283
Tax effect of non-deductible expenses	**24,290**	21,595
Tax effect of non-taxable income	**(3,659)**	(1,750)
Under/(over)-provision in prior years	**10,886**	(5,867)
Withholding tax on dividends	**9,116**	–
Actual tax expense	**259,540**	202,261

(Expressed in thousands of Renminbi unless otherwise indicated)

7 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2015			
	Directors' fees RMB'000	**Salaries, allowances and other benefits in kind RMB'000**	**Retirement scheme contributions RMB'000**	**Total RMB'000**
Executive directors				
Ding Wuhao	**–**	**1,280**	**15**	**1,295**
Ding Huihuang	**–**	**1,067**	**15**	**1,082**
Ding Huirong	**–**	**1,047**	**15**	**1,062**
Wang Jiabi	**–**	**646**	**15**	**661**
Independent non-executive directors				
Yan Man Sing	**456**	**–**	**–**	**456**
Liao Jianwen *(note 2)*	**360**	**–**	**–**	**360**
Tsui Yung Kwok	**342**	**–**	**–**	**342**
	1,158	**4,040**	**60**	**5,258**

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

Notes:

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

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

(Expressed in thousands of Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2014: Nil) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2014: five) individuals are as follows:

	2015 RMB'000	2014 RMB'000
Salaries and other emoluments	**7,742**	9,327
Retirement scheme contributions	**86**	84
	7,828	9,411

The emoluments of the four (2014: five) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**3**	3
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**–**	1

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB173,307,000 (2014: profit of RMB172,810,000) which has been dealt with in the financial statements of the Company.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB517,639,000 (2014: RMB397,642,000) and the weighted average of 2,067,602,000 ordinary shares (2014: 2,067,602,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2014 and 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 year.

(Expressed in thousands of Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND

	Buildings RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Sub-total RMB'000	Interests in leasehold land held for own use under operating leases RMB'000	Total RMB'000
Cost:								
At 1 January 2014	699,277	210,284	116,759	31,631	189,604	1,247,555	107,156	1,354,711
Exchange adjustments	–	–	1,107	–	–	1,107	–	1,107
Additions	109,598	9,712	11,928	77	8,848	140,163	–	140,163
Disposals	–	(649)	–	–	–	(649)	–	(649)
At 31 December 2014	808,875	219,347	129,794	31,708	198,452	1,388,176	107,156	1,495,332
Accumulated depreciation and amortisation:								
At 1 January 2014	104,973	73,621	78,866	15,468	–	272,928	9,554	282,482
Exchange adjustments	–	–	46	–	–	46	–	46
Charge for the year	29,992	18,320	11,940	4,788	–	65,040	2,152	67,192
Written back on disposals	–	(514)	–	–	–	(514)	–	(514)
At 31 December 2014	134,965	91,427	90,852	20,256	–	337,500	11,706	349,206
Net book value:								
At 31 December 2014	673,910	127,920	38,942	11,452	198,452	1,050,676	95,450	1,146,126
Cost:								
At 1 January 2015	808,875	219,347	129,794	31,708	198,452	1,388,176	107,156	1,495,332
Exchange adjustments	2,582	–	122	–	–	2,704	–	2,704
Additions	44,605	11,931	15,708	7	113,752	186,003	25,962	211,965
Transfer	305,604	–	–	–	(305,604)	–	–	–
Disposals	–	(2,549)	–	–	–	(2,549)	–	(2,549)
At 31 December 2015	1,161,666	228,729	145,624	31,715	6,600	1,574,334	133,118	1,707,452
Accumulated depreciation and amortisation:								
At 1 January 2015	134,965	91,427	90,852	20,256	–	337,500	11,706	349,206
Exchange adjustments	135	–	68	–	–	203	–	203
Charge for the year	31,810	14,273	14,041	4,304	–	64,428	2,152	66,580
Written back on disposals	–	(2,243)	–	–	–	(2,243)	–	(2,243)
At 31 December 2015	166,910	103,457	104,961	24,560	–	399,888	13,858	413,746
Net book value:								
At 31 December 2015	994,756	125,272	40,663	7,155	6,600	1,174,446	119,260	1,293,706

(Expressed in thousands of Renminbi unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT AND LEASEHOLD LAND (CONTINUED)

As at 31 December 2015, a property with net book value of RMB46,000,000 (2014: RMB43,471,000) was pledged as security for a banking facility of the Group of RMB42,387,000 (2014: RMB40,101,000).

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

	2015 **RMB'000**	2014 RMB'000
In Hong Kong — medium-term leases	**46,000**	43,471
In PRC — medium-term leases	**1,068,016**	725,889
	1,114,016	769,360
Representing:		
Buildings	**994,756**	673,910
Interest in leasehold land held for own use under operating leases	**119,260**	95,450
	1,114,016	769,360

(Expressed in thousands of Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sanliuyidu Holdings Company Limited	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
361 Enterprise Company Limited	Hong Kong	1 share	100%	–	100%	Investment holding
361 Investment Company Limited	Hong Kong	1 share	100%	–	100%	Investment holding
361 Degrees (HK) Investment Limited	Hong Kong	1 share	87%	–	100%	Investment holding
Sanliuyidu (Fujian) Sports Goods Co., Ltd) 三六一度(福建)體育用品有限公司 *(Notes (i) and (iv))*	PRC	HK$280,000,000	100%	–	100%	Manufacture and trading of sporting goods
Sanliuyidu (China) Co., Ltd) 三六一度(中國)有限公司 *(Notes (i) and (iv))*	PRC	HK$560,000,000	100%	–	100%	Manufacture and trading of sporting goods
Sanliuyidu Xiamen Industry & Trade Co., Limited) 三六一度(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB100,000,000	100%	–	100%	Trading of sporting goods
Sanliuyidu (Fujian) Shoes and Plastics Technology Co., Ltd) 三六一度(福建)鞋塑科技有限公司 *(Notes (iii) and (iv))*	PRC	HK$86,000,000	51%	–	51%	Manufacture and trading of shoes soles
361 Degrees Children's Clothing Co., Ltd. 三六一度童裝有限公司 *(Notes (i) and (iv))*	PRC	HK$80,000,000	87%	–	100%	Trading of children sporting goods
Yue Lei International Limited 宇彌國際有限公司	Hong Kong	100,000 shares	100%	–	100%	Trading of sporting goods
361 Degrees Kids Wear Holdings Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
361 Degrees Kids Wear Limited	Cayman Islands	1,000,000 shares of HK$0.01 each	87%	–	87%	Investment holding

(Expressed in thousands of Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

			Proportion of ownership interest			
Name of company	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
361 Degrees Kids Wear Investment Limited	BVI	1 share of US$1 each	87%	–	100%	Investment holding
One Way International Enterprise Limited 萬唯國際實業有限公司	Hong Kong	10,000 shares	70%	–	70%	Investment holding
Zhonglan Sports Goods Co. Ltd 中蘭體育用品有限公司 *(Notes (i) and (iv))*	PRC	RMB49,910,463	70%	–	100%	Investment holding
Wangwei (Xiamen) Industry & Trade Co., Limited 望唯(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	70%	–	100%	Trading of sporting goods
361 USA, Inc	United States	USD3,000,000	100%	–	100%	Trading of sporting goods
Yue Lei do Brasil Comércio, Importação e Exportação de Artigos Esportivos Ltda	Brazil	1,926,650 shares of RIO$1 each	100%	–	100%	Trading of sporting goods
Quanzhou Jinjiang Jiangtou Minhai Gas Station Ltd. 泉州晉江江頭閩海加油站有限公司 *(Notes (ii) and (iv))*	PRC	RMB1,000,000	100%	–	100%	Operating of gas station

Notes:

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

(ii) These entities are limited liability companies established in the PRC.

(iii) The entity is a sino-foreign equity joint venture enterprise registered in the PRC.

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

(Expressed in thousands of Renminbi unless otherwise indicated)

13 OTHER NON-CURRENT FINANCIAL ASSET

	2015 RMB'000	2014 RMB'000
Unlisted available-for-sale equity securities	**17,550**	17,550

14 INVENTORIES

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

	2015 RMB'000	2014 RMB'000
Raw materials	**19,860**	30,943
Work in progress	**21,330**	85,600
Finished goods	**510,767**	453,515
	551,957	570,058

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

	2015 RMB'000	2014 RMB'000
Carrying amount of inventories sold	**2,635,738**	2,309,490

(Expressed in thousands of Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Trade debtors		
Trade debtors	**2,097,831**	1,604,395
Less: allowance for doubtful debts *(note 15(b))*	**(80,155)**	(80,155)
	2,017,676	1,524,240
Bills receivable	**235,510**	132,013
Deposits, prepayments and other receivables		
Current		
Deposits	**2,696**	5,105
Prepayments	**574,241**	802,198
Other receivables	**64,448**	84,648
	641,385	891,951
Non-current		
Deposits and prepayments	**92,080**	96,691

As at 31 December 2015, the Group endorsed certain bank acceptance bills totalling RMB121,517,000 (2014: RMB281,610,000) to suppliers for settling trade payables of the same amount on a full recourse basis. The Group have derecognised these bills receivable and the payables to suppliers in their entirety. These derecognised bank acceptance bills had a maturity date of less than six months from the end of the reporting period. In the opinion of the directors, the Group have transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group have limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

Included in prepayments are amounts prepaid to suppliers of RMB520,838,000 (2014: RMB584,123,000).

All of the trade debtors, bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

(Expressed in thousands of Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	2015 **RMB'000**	2014 RMB'000
Within 90 days	**1,704,642**	1,035,171
Over 90 days but within 180 days	**548,544**	621,082
	2,253,186	1,656,253

Trade debtors and bills receivable are due within 30-180 days from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

(b) Impairment of trade debtors and bills receivable

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

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

	2015 **RMB'000**	2014 RMB'000
At 1 January	**80,155**	191,521
Reversal of impairment loss recognised	**–**	(111,366)
Uncollectible amounts written off	**–**	–
At 31 December	**80,155**	80,155

At 31 December 2015, the Group's trade debtors of RMB80,155,000 (2014: RMB80,155,000) were individually determined to be impaired. The individually impaired receivables related to customers which management assessed that a portion of the receivables were doubtful. Consequently, specific allowances for doubtful debts of RMB80,155,000 (2014: RMB80,155,000) were recognised. The Group does not hold any collateral over these balances.

(Expressed in thousands of Renminbi unless otherwise indicated)

15 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	2015 RMB'000	2014 RMB'000
Neither past due nor impaired	**2,119,134**	1,441,754
Within 30 days past due	**80,154**	73,553
Over 30 days but within 90 days past due	**53,898**	124,998
Over 90 days but within 180 days past due	**–**	15,948
Amount past due	**134,052**	214,499
	2,253,186	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 experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 PLEDGED BANK DEPOSITS

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

(Expressed in thousands of Renminbi unless otherwise indicated)

17 CASH AND BANK DEPOSITS

	2015 RMB'000	2014 RMB'000
Pledged bank deposits	**122,026**	175,895
Deposits with banks		
— More than three months to maturity when placed	**1,500,000**	1,800,000
— Within three months to maturity when placed	**723,436**	809,593
Cash at bank and in hand	**1,562,789**	1,320,644
Cash and bank deposits	**3,908,251**	4,106,132
Represented by:		
Pledged bank deposits	**122,026**	175,895
Deposits with banks	**1,500,000**	1,800,000
Cash and cash equivalents	**2,286,225**	2,130,237
	3,908,251	4,106,132

At 31 December 2015, the balances that were placed with banks or on hand in the PRC and included in the pledged bank deposits, deposits with banks and cash and cash equivalents amounted to RMB3,631,716,000 (2014: RMB3,453,744,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

18 TRADE AND OTHER PAYABLES

	2015 RMB'000	2014 RMB'000
Trade creditors	**733,881**	522,924
Bills payable	**407,297**	783,760
Receipts in advance	**38,782**	19,352
Other payables and accruals	**479,466**	525,063
	1,659,426	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 31 December 2015 and 2014 were secured by pledged bank deposits as disclosed in note 16.

(Expressed in thousands of Renminbi unless otherwise indicated)

18 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:

	2015 **RMB'000**	2014 RMB'000
Due within 1 month or on demand	**356,921**	381,032
Due after 1 month but within 3 months	**271,120**	418,663
Due after 3 months but within 6 months	**513,137**	506,989
	1,141,178	1,306,684

19 BANK LOANS

At 31 December 2015, the bank loans were repayable within one year or on demand and secured as follows:

	2015 **RMB'000**	2014 RMB'000
Secured bank loans	**15,116**	15,311

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

	2015 **RMB'000**	2014 RMB'000
Facilities amount	**2,622,387**	3,713,301
Utilisation at the end of the reporting period		
— Bills payable	**407,297**	783,760
— Bank loans	**15,116**	15,311
	422,413	799,071

For the years ended 31 December 2015 and 2014, bank loan and bills payable of the Group were secured by a property and pledged bank deposits (see notes 11 and 16). The Group's bank loans were not subject to any covenants.

(Expressed in thousands of Renminbi unless otherwise indicated)

20 NON-CURRENT INTEREST-BEARING BORROWINGS

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

	2015 RMB'000	2014 RMB'000
Senior unsecured notes *(note 20(b)(i))*	**1,489,395**	1,484,869

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

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

(i) Senior unsecured notes

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

(ii) Convertible bonds

On 3 April 2012, the Company issued unsecured convertible bonds with principal amount of US$150,000,000 due 2017 (the "convertible bonds"). The convertible bonds were interest-bearing at 4.5% per annum and payable semi-annually in arrears. The maturity date of the convertible bonds was 3 April 2017.

The Group fully repurchased the unsecured convertible bonds with principal amount of US$150,000,000 in 2014. All the repurchased convertible bonds were cancelled on or before 4 December 2014. There were no outstanding convertible bonds as at 31 December 2014 and 2015.

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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

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

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

(Expressed in thousands of Renminbi unless otherwise indicated)

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO share option scheme

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

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

During the year of 2014, outstanding share options of 17,290,000 were forfeited and the fair value of RMB12,859,000 was transferred back to retained profits accordingly (note 24(a)).

There was no outstanding share option as at 31 December 2014 and 2015.

(b) Share option scheme

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

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

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

No share option has been granted under the Share Option Scheme during the year ended 31 December 2015 (2014: Nil).

23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	2015 **RMB'000**	2014 RMB'000
Balance at beginning of the year	**146,374**	120,576
Under/(over)-provision in respect of prior years	**10,886**	(5,867)
Provision for PRC income tax for the year	**227,002**	171,142
Payment during the year	**(128,355)**	(139,477)
	255,907	146,374

(Expressed in thousands of Renminbi unless otherwise indicated)

23 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

	Allowance for doubtful debts RMB'000	Withholding tax on dividends RMB'000	Expenses deductible on paid basis RMB'000	Income taxable on receipt basis RMB'000	Total RMB'000
Deferred tax arising from:					
At 1 January 2014	47,880	(19,384)	58,328	–	86,824
(Charged)/credited to profit or loss	(27,842)	15,000	(20,330)	(3,814)	(36,986)
At 31 December 2014	20,038	(4,384)	37,998	(3,814)	49,838
At 1 January 2015	20,038	(4,384)	37,998	(3,814)	49,838
Credited/(charged) to profit or loss	–	1,884	(24,941)	1,405	(21,652)
At 31 December 2015	20,038	(2,500)	13,057	(2,409)	28,186

(ii) Reconciliation to the consolidated statement of financial position

	2015 RMB'000	2014 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**28,537**	49,971
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(351)**	(133)
	28,186	49,838

(c) Deferred tax liabilities not recognised

Pursuant to the EIT law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008. At 31 December 2015, the Group has not recognised deferred tax liabilities of RMB218,254,000 (2014: RMB188,943,000) in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to RMB4,365,086,000 (2014: RMB3,778,858,000) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

(Expressed in thousands of Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

The Company

	Note	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	(Accumulated losses)/ retain profits RMB'000	Total RMB'000
Balance at 1 January 2014		182,298	232,467	12,859	(110,300)	(112,186)	205,138
Changes in equity for 2014:							
Profit for the year		–	–	–	–	172,810	172,810
Other comprehensive income		–	–	–	5,150	–	5,150
Total comprehensive income for the year		–	–	–	5,150	172,810	177,960
Equity-settled share-based transaction		–	–	(12,859)	–	12,859	–
Dividends declared and paid during the year	*24(b)*	–	(103,380)	–	–	–	(103,380)
Balance at 31 December 2014		182,298	129,087	–	(105,150)	73,483	279,718
Balance at 1 January 2015		182,298	129,087	–	(105,150)	73,483	279,718
Changes in equity for 2015:							
Profit for the year		–	–	–	–	173,307	173,307
Other comprehensive income		–	–	–	14,127	–	14,127
Total comprehensive income for the year		–	–	–	14,127	173,307	187,434
Dividends declared and paid during the year	24(b)	–	(62,028)	–	–	(103,380)	(165,408)
Balance at 31 December 2015		182,298	67,059	–	(91,023)	143,410	301,744

(Expressed in thousands of Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

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

	2015 RMB'000	2014 RMB'000
Interim dividend declared and paid of RMB5.0 cents per ordinary share (2014: RMB5.0 cents per ordinary share)	**103,380**	103,380
Final dividend proposed after the end of the reporting period of HK6.3 cents (equivalent to RMB5.3 cents) per ordinary share (2014: RMB3.0 cents per ordinary share)	**109,583**	62,028
	212,963	165,408

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

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

(c) Share capital

	2015		2014	
	Number of shares '000	**Amount HK$'000**	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**10,000,000**	**1,000,000**	10,000,000	1,000,000

(Expressed in thousands of Renminbi unless otherwise indicated)

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (Continued)

	Number of shares '000	Amount HK$'000	RMB'000
Ordinary shares, issued and fully paid:			
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	2,067,602	206,760	182,298

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

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Other reserve

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

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

24 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (Continued)

(iv) Statutory reserve

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

(v) Share option reserve

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

(vi) Exchange reserve

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

(e) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB119,446,000 (2014: RMB97,420,000). After the end of the reporting period, the directors proposed a final dividend of HK6.3 cents (equivalent to RMB5.3 cents) (2014: RMB3.0 cents) per ordinary share, amounting to RMB109,583,000 (2014: RMB62,028,000). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

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

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

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation. The Group's gearing ratio, being the Group's interest bearing debt over its total assets, as at 31 December 2015 was 17% (2014: 18%).

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 13% (2014: 14%) and 45% (2014: 44%) of the total trade debtors and bills receivable were due from the Group's largest customer, and the five largest customers respectively.

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

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

(ii) Deposits with banks

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

(Expressed in thousands of Renminbi unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

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

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

	2015					2014				
	Contractual undiscounted cash outflow					Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	15,490	–	–	15,490	15,116	16,312	–	–	16,312	15,311
Senior unsecured note	112,500	1,612,500	–	1,725,000	1,489,395	112,500	112,500	1,612,500	1,837,500	1,484,869
Trade and other payables	1,620,644	–	–	1,620,644	1,620,644	1,831,747	–	–	1,831,747	1,831,747
Total	1,748,634	1,612,500	–	3,361,134	3,125,155	1,960,559	112,500	1,612,500	3,685,559	3,331,927

(c) Interest rate risk

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

(Expressed in thousands of Renminbi unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (Continued)

(i) Interest rate profile

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

	2015		2014	
	Effective interest rate	**Amount**	Effective interest rate	Amount
	%	**RMB'000**	%	RMB'000
Fixed rate borrowings/ (deposits)				
Deposits with banks	**1.95–2.36**	**(1,500,000)**	3.30–3.80	(1,800,000)
Cash and cash equivalents	**1.40–4.80**	**(723,436)**	2.86–4.00	(809,593)
Senior unsecured notes	**8.42**	**1,489,395**	8.42	1,484,869
Pledged bank deposits	**0.39–3.10**	**(122,026)**	0.39–3.10	(175,895)
		(856,067)		(1,300,619)
Variable rate borrowings/ (deposits)				
Cash and cash equivalents	**0.001–1.15**	**(1,554,481)**	0.001–1.265	(1,315,363)
Bank loans	**2.47**	**15,116**	2.47	15,311
		(1,539,365)		(1,300,052)
Total net deposits		**(2,395,432)**		(2,600,671)

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in both saving and lending interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB11,638,000 (2014: RMB9,817,000). Other components of consolidated equity would not be affected by the general increase/decrease in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2014.

(Expressed in thousands of Renminbi unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk

The Group is exposed to currency risk primarily through bank deposits and senior unsecured notes that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HKD") and United States dollars ("USD").

(i) Exposure to currency risk

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

	Exposure of foreign currencies (expressed in RMB)					
	2015			2014		
	Hong Kong dollars	United States dollars	Renminbi	Hong Kong dollars	United States dollars	Renminbi
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	27,318	32,425	225,492	51,070	25,958	–
Trade debtors	–	5,447	–	–	1,726	–
Senior unsecured notes	–	–	(1,489,395)	–	–	(1,484,869)
Net exposure arising from recognised assets and liabilities	27,318	37,872	(1,263,903)	51,070	27,684	(1,484,869)

(ii) Sensitivity analysis

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

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
		RMB'000		RMB'000
Hong Kong dollars	5%	1,024	5%	1,915
	(5%)	(1,024)	(5)%	(1,915)
Renminbi	5%	(63,195)	5%	(74,243)
	(5%)	63,195	(5)%	74,243

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (Continued)

(ii) Sensitivity analysis (continued)

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(e) Commodity price risk

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

(f) Business risk

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

(g) Fair value measurement

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2014.

(Expressed in thousands of Renminbi unless otherwise indicated)

26 COMMITMENTS

(a) Contractual commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 **RMB'000**	2014 RMB'000
Advertising and marketing expenses	**120,526**	206,730

(b) Capital commitments outstanding at 31 December 2015 not provided for in the financial statements were as follows:

	2015 **RMB'000**	2014 RMB'000
Contracted for	**5,222**	11,156

(c) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 **RMB'000**	2014 RMB'000
Within 1 year	**4,474**	11,517
After 1 year but within 5 years	**2,294**	5,716
After 5 years	**380**	863
	7,148	18,096

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

(Expressed in thousands of Renminbi unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

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

	2015 **RMB'000**	2014 RMB'000
Short-term employee benefits	**28,147**	28,816
Post-employment benefits	**766**	673
	28,913	29,489

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

(Expressed in thousands of Renminbi unless otherwise indicated)

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	**2015 RMB'000**	2014 RMB'000
Non-current asset			
Investment in subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries		**1,855,623**	1,828,884
Cash and cash equivalents		**959**	918
		1,856,582	1,829,802
Current liabilities			
Amounts due to subsidiaries		**28,102**	27,683
Other payables		**37,342**	37,533
		65,444	65,216
Net current assets		**1,791,138**	1,764,586
Total assets less current liabilities		**1,791,139**	1,764,587
Non-current liability			
Interest-bearing borrowings		**1,489,395**	1,484,869
NET ASSETS		**301,744**	279,718
CAPITAL AND RESERVES	*24(a)*		
Share capital		**182,298**	182,298
Reserves		**119,446**	97,420
TOTAL EQUITY		**301,744**	279,718

(Expressed in thousands of Renminbi unless otherwise indicated)

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012–2014 cycle	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
HKFRS 9, *Financial instruments*	1 January 2018

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

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee comprises 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 of the Company has agreed with the external auditors of the Group, KPMG, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2015. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2015 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

DIVIDEND

The Board recommended to declare a final dividend of HK6.3 cents (equivalent to RMB5.3 cents) per share, subject to approval by the shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**"). Including the interim dividend of RMB5.0 cents per share for the six months ended 30 June 2015 already paid, if the final dividend will be approved by the shareholders of the Company, total payout for the year will amount to RMB10.3 cents per share or RMB213.0 million in aggregate, representing 41.1% of the profit attributable to equity shareholders of the Group for the year ended 31 December 2015. It is expected that the final dividend, if approved by shareholders at the AGM, will be paid to shareholders on or about 13 May 2016.

CLOSURE OF REGISTER OF MEMBERS

The AGM will be held on Monday, 25 April 2016. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 20 April 2016 to Monday, 25 April 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 April 2016.

The proposed final dividend is subject to the passing of an ordinary resolution by the Company's shareholders at the AGM. The record date for entitlement to the proposed final dividend is Wednesday, 4 May 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 29 April 2016 to Wednesday, 4 May 2016, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 28 April 2016.

PUBLICATION OF 2015 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.361sport.com), and the 2015 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

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

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

Hong Kong, 8 March 2016

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and three independent non-executive directors, namely, Mr. Yan Man Sing Frankie, Mr. Tsui Yung Kwok and Dr. Liao Jianwen.