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China Dongxiang (Group) Co., Ltd.
中國動向（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3818)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

Results Highlights

	1H 2015	1H 2014	Change
	(RMB million)	*(RMB million)*	
Revenue	**597**	465	28.4%
Gross profit (before provision for/reversal of impairment losses of inventories)	**344**	215	60.0%
Gross profit margin (before provision for/reversal of impairment losses of inventories)	**57.6%**	46.2%	11.4pts
Operating profit	**387**	149	159.7%
Profit for the period attributable to equity holders of the Company	**290**	96	202.1%
	(RMB cents)	*(RMB cents)*	
Basic earnings per share	**5.26**	1.75	200.6%
Interim dividend and interim special dividend per share	**3.67**	1.22	200.8%
Total dividend payout ratio	**70%**	70%	—

CHAIRMAN'S STATEMENT

Dear Shareholders,

As we are more than halfway through 2015 in the swift passage of time, I am pleased to report to the shareholders the interim results of China Dongxiang. For the first half of 2015, the global economic growth remained at a moderate level. Despite that the economic growth in China in the first half of 2015 was slower than expected, China still achieved a moderately strong GDP growth of 7.0% underpinned by a 10.4% growth in total retail sales of social consumer goods with the aid of the government's proactive reforms and policies. Following years of realignment, the sportswear industry has gradually identified a new direction for development. Thanks to the concerted efforts of our colleagues, who have made revolutionary innovations to our former business model through industrious preparations and prudent actions, our Group is able present to shareholders stellar results for the exciting first six months of the year.

For the reporting period, the Group reported a 28.4% year-on-year growth in revenue to RMB597 million, while profit attributable to equity holders increased 202.1%, year-on-year, to RMB290 million. Basic earnings per share improved 200.6%, year-on-year, to RMB5.26 cents.

We are especially delighted with growth in our China segment for the first half of 2015, which has been beyond our expectation. For the period under review, revenue from Kappa brand of the China segment grew by 46.4% to RMB464 million. Meanwhile, the gross profit margin of Kappa brand of the China segment rose by 10.7 percentage points to 66.3% as a result of the increase in sales of new products as well as improvements in the proportion of replenishment order and sales discounts.

"In a battle, there is always direct confrontation, but victory is achieved through surprise move". For reforms to become surprise moves leading to victories, they must be set in the right direction and implemented in a feasible manner. The Group conducted itself in a prudent manner on the back of previous successes in reforms and continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + retail", seeking to drive strategic measures focused on brand, operation, marketing and supply chain. Meanwhile, our young management team brought fresh energy and ideas to the Group and helped to forge a solid foundation for the Group's long-term development.

In connection with "brand + product", the Group conducted in-depth streamlining of its brand regime and clarified their positioning and images to identify relevant target consumer groups. On this basis, the general principles for product design are determined so that products are manufactured in a target-specific manner. Next, we adopt an innovative product planning model and a faster and more efficient mindset for product development and develop our products on the basis of our brand claims, so as to ensure that our products are close to the retail end and in line with market requirements. Meanwhile, we must also remember that quality is the vital ingredient of an enterprise. By improving the quality and perfection of our products in further fulfillment of the demand of end-customers, we will enhance the core competitiveness of the Kappa brand as well as generate higher return in value for the Group.

We have also introduced breakthroughs and innovations in brand promotion. In addition to ongoing advertisements in graphic media, the Group was also engaged in online + offline brand marketing activities. The Kappa x Feige Retro Gala and Kappa Night #Together Once Again#, launched since early 2015 and still ongoing in major cities, have been attracting huge turnouts of consumers because of the unique charm of fashion prevailing in these events. During the first half of the year, Kappa and CLOT started their first ever joint campaign and a launch ceremony was held in May. The event has invited extensive tracking reports by a host of fashion media and websites, garnering positive market response and substantial enhancement in brand exposure and reputation.

Under the new business model of "brand + retail", the Group continued to improve and apply the brand new product life cycle management model in the management of its retail business. The brand-oriented business model has not only effectively enhanced the profitability of our retail operations, but has also restored inventory level to a healthy level. In the meantime, the Group also replaced certain underperforming stores during the reporting period, and the new stores reported significantly improved store performance compared to the closed stores. As a result of the multiple measures described above, the comparable store performance of Kappa brand of the China segment for the first half of this year was increased by 23% as compared to the same period of last year, giving a major boost to the profitability of the retail operations. In view of ongoing improvements in the profitability of its retail operations, the Group resumed its channels on all fronts during the first half of the year. As at the end of June 2015, the Group had a total of 1,231 Kappa stores, representing a net increase of 21 stores compared to the end of last year. These included 354 self-owned retail stores, which were operated by 8 subsidiaries established by the Group in China.

A towering tree that reaches lofty heights starts from the roots. By the same token, a brand-oriented business model requires the support of a strong supply-chain system. In order to enhance the market competitiveness of our products, and to respond to changes in actual end demand in a faster and more accurate manner, we have also made certain revolutionary changes and adjustments to the supply chain to facilitate rapid and high-standard product development and processing. By adopting two distribution models, namely "single store deliveries and deliveries from factories", we have assured adequate stock supply to support rapid growth in sales, and ensured that products are manufactured and sold in accurate quantity and superb quality, at the right place, in the shortest possible time and at optimal costs.

In the larger context of a robust internet economy, e-commerce has become an integral part of the Group's business. We have made large-scale adjustments and optimisation to the e-commerce sales model from the perspective of brand retail. Through proactive adjustments to the product mix and optimisation of sales channels, the proportion of new products and retro products has been significantly increased. At the same time, the percentage share of sales from self-owned stores has also increased, driving further growth in the gross profit margin of e-commerce sales to end-customers. While making major efforts in product optimisation and in enhancing the operating efficiency of self-owned stores, the Group has also intensified platform cooperation and persisted in the principle of launching new products, making focused efforts in the development of exclusive online products with the aim of safeguarding the healthy development of channels. As a result, we have accomplished the target of achieving improvement in both sales discounts and sales amount.

While assuring fast progress of its principal apparel business, the Group constantly gives thoughts to new business models and puts into practice new business approaches as it ponders change and progress on the back of judicious review of market conditions, with the aim of reaching higher and further. During the first six months of the year, the Group established a department for investment management and assigned dedicated staff to manage its investment projects, in order to improve its operations in this area. In relation to fixed-income investments, the Group optimised its product mix in a systematic manner and enhanced coordination over fund applications, with a view to generating long-term stable income for shareholders in a risk-proof approach. In relation to risk investments non-fixed income, the Group exercised prudent control over the scale of such investments to limit them within a reasonable range, while actively identifying opportunities in star companies in the internet, hi-tech, new energy, and financial sectors, aiming to share value growth while ensuring controllability of potential risks. The Group also continued to monitor new opportunities in other specific sectors, driving its investment operations in a prudent yet prospective manner. Leveraging its existing resources and advantages, the Group strengthened cooperation with investment partners and explored projects with potential and significance, in order to secure broader development prospects for the Group.

The Group's aforesaid achievements are owed in no small part to the longstanding trust of the shareholders. The Board of Directors have proposed to distribute 30% and 40% of the net profit attributable to equity holders for the six months ended 30 June 2015 as interim dividend and interim special dividend respectively, representing the distribution of a dividend of RMB1.57 cents and RMB2.10 cents per share respectively as to reward shareholders for their support to the Company.

Looking back, we see a thorny road which we have got past, together; looking ahead, the path points in the right direction, although it is by no means a smooth one. In future, all employees of the Group will continue to venture forward in highflying aspirations, determination and strength. With professionalism, dedication and faith, we will put the Dongxiang spirit into practice and enhance its corporate value to usher in a new era for the Group's development, with the aim of bringing more sustainable and lucrative return to shareholders.

Chen Yihong
Chairman

19 August 2015

INTERIM CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2015

	Note	Unaudited Six months ended 30 June **2015** ***RMB'000***	 2014 *RMB'000*
Revenue	2	**596,659**	465,080
Cost of goods sold	4	**(252,953)**	(250,030)
(Provision for)/reversal of impairment of inventories	4	**(24,017)**	15,280
Gross profit		**319,689**	230,330
Other gains, net	3	**312,700**	165,475
Distribution costs	4	**(197,649)**	(192,285)
Administrative expenses	4	**(47,772)**	(54,410)
Operating profit		**386,968**	149,110
Finance cost, net	5	**(657)**	(3,886)
Share of losses of jointly controlled entities		**(648)**	(53)
Profit before income tax		**385,663**	145,171
Income tax expense	6	**(99,383)**	(53,132)
Profit for the period		**286,280**	92,039
Profit attributable to:			
— Equity holders of the Company		**290,057**	96,498
— Non-controlling interests		**(3,777)**	(4,459)
		286,280	92,039
Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB cents per share)			
— Basic and diluted earnings per share	7	**5.26**	1.75
Dividends	8	**203,186**	67,544

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Unaudited Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Profit for the period		**286,280**	92,039
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss			
— Fair value change on available-for-sale financial assets, net of tax		**(683,851)**	(5,633)
— Foreign currency translation differences		**(9,094)**	34,805
Total items that may be reclassified subsequently to profit or loss		**(692,945)**	29,172
Other comprehensive (loss)/income, net of tax		**(692,945)**	29,172
Total comprehensive (loss)/income for the period		**(406,665)**	121,211
Total comprehensive (loss)/income for the period attributable to:			
— Equity holders of the Company		**(402,888)**	125,670
— Non-controlling interests		**(3,777)**	(4,459)
		(406,665)	121,211

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2015

	Note	**Unaudited 30 June 2015** *RMB'000*	Audited 31 December 2014 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**68,558**	71,595
Lease prepayments		**11,580**	11,722
Intangible assets		**241,562**	247,512
Interests in joint venture		**14,974**	15,621
Interests in associate	9	**62,082**	—
Available-for-sale financial assets	10	**4,057,795**	4,580,210
Other financial assets — non-current portion	12	**419,940**	321,763
Deferred income tax assets		**30,053**	90,846
Prepayments, deposits and other receivables — non-current portion		**43,159**	38,400
		4,949,703	5,377,669
Current assets			
Inventories		**234,743**	206,492
Trade receivables	11	**205,007**	318,210
Prepayments, deposits and other receivables		**47,698**	80,911
Other financial assets	12	**3,282,584**	2,779,831
Cash and bank balances		**1,835,714**	2,545,680
		5,605,746	5,931,124
Total assets		**10,555,449**	11,308,793

INTERIM CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2015

	Note	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**53,589**	53,589
Share premium account		**1,143,093**	1,714,319
Reserves		**8,173,319**	8,572,160
		9,370,001	10,340,068
Non-controlling interests		**15,091**	18,868
Total equity		**9,385,092**	10,358,936
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**31,436**	10,804
		31,436	10,804
Current liabilities			
Other financial liability	13	—	609,020
Borrowing	14	**427,952**	—
Trade payables	15	**132,463**	155,711
Accruals and other payables		**556,076**	130,210
Provisions		**12,640**	20,598
Current income tax liabilities		**9,790**	23,514
		1,138,921	939,053
Total liabilities		**1,170,357**	949,857
Total equity and liabilities		**10,555,449**	11,308,793

1 GENERAL INFORMATION

China Dongxiang (Group) Co., Ltd. (the "Company") and its subsidiaries (together the "Group") are principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in Mainland of the People's Republic of China (the "PRC"), Macau and Japan.

The Company was incorporated in the Cayman Islands on 23 March 2007 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 10 October 2007.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 SEGMENT INFORMATION

The Group is principally engaged in brand development, design and sales of sport-related apparel, footwear and accessories and investment activities in Mainland of the PRC, Macau and Japan.

The chief operating decision maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The chief operating decision maker considers the business and assesses the performance of the investment activities and sportswear business separately, and sportwear business was assessed from a geographic perspective, including China (including Mainland of the PRC and Macau) and Japan segments as follows:

- China — includes distribution and retail of sport apparel under Kappa Brand and other brands and international business which includes the sale of Kappa Brand products to other Kappa licensees in other countries.
- Japan — includes distribution and retail of sport apparel under Kappa, Phenix and other brands.
- Investment — includes investment in kinds of financial assets and treasury products issued by commercial banks (Note a).

Note a: Investment segment was identified as a reportable segment for the year ended 31 December 2014, because the chief operating decision maker reviews the Group's internal reporting regarding investment activities in order to assess performance and allocate resources separately. Comparative segment information for prior period presented were restated to reflect the newly reportable segment.

Sales between segments are carried out on terms set out in agreements governing the transactions. The revenue from external customers, segment operating profit/(loss) and segment profit/(loss) reported to the chief operating decision maker are measured in a manner consistent with that presented in the consolidated income statement.

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

	Unaudited				
	China-Apparel *RMB'000*	Japan-Apparel *RMB'000*	Investment *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Six months ended 30 June 2015					
Total revenue before inter-segment elimination	**474,321**	**122,913**	**—**	**—**	**597,234**
Inter-segment revenue	**—**	**(575)**	**—**	**—**	**(575)**
Revenue from external customers	**474,321**	**122,338**	**—**	**—**	**596,659**
Cost of goods sold	**(169,873)**	**(83,080)**	**—**	**—**	**(252,953)**
Provision for impairment losses of inventories	**(13,477)**	**(10,540)**	**—**	**—**	**(24,017)**
Segment gross profit	**290,971**	**28,718**	**—**	**—**	**319,689**
Other gains, net	**1,248**	**2,944**	**308,508**	**—**	**312,700**
Segment operating profit/(loss)	**128,501**	**(31,818)**	**308,508**	**(18,223)**	**386,968**
Finance income	**5,785**	**4**	**—**	**2,318**	**8,107**
Finance cost	**(2,098)**	**(6,306)**	**—**	**(360)**	**(8,764)**
Share of loss of a joint venture	**—**	**(648)**	**—**	**—**	**(648)**
Profit/(loss) before income tax	**132,188**	**(38,768)**	**308,508**	**(16,265)**	**385,663**
Income tax expense	**(56,543)**	**(320)**	**(42,520)**	**—**	**(99,383)**
Profit/(loss) for the period	**75,645**	**(39,088)**	**265,988**	**(16,265)**	**286,280**
Material items of income and expense					
Depreciation and amortization	**9,799**	**2,204**	**—**	**—**	**12,003**
Reversal of impairment losses of trade and other receivables	**(20,861)**	**(1,618)**	**—**	**—**	**(22,479)**
Advertising and selling expenses	**84,490**	**16,875**	**—**	**—**	**101,365**

	Unaudited				
	China-Apparel *RMB'000* (Restated)	Japan-Apparel *RMB'000* (Restated)	Investment *RMB'000* (Restated)	Unallocated *RMB'000* (Restated)	Total *RMB'000* (Restated)
Six months ended 30 June 2014					
Total revenue before inter-segment elimination	323,580	142,912	—	—	466,492
Inter-segment revenue	(296)	(1,116)	—	—	(1,412)
Revenue from external customers	323,284	141,796	—	—	465,080
Cost of goods sold	(153,371)	(96,659)	—	—	(250,030)
Reversal of/(provision for) impairment losses of inventories	26,910	(11,630)	—	—	15,280
Segment gross profit	196,823	33,507	—	—	230,330
Other gains, net	4,041	1,550	159,884	—	165,475
Segment operating profit/(loss)	65,362	(54,667)	159,884	(21,469)	149,110
Finance income	6,706	5	—	1,817	8,528
Finance cost	2,425	(2,348)	—	(12,491)	(12,414)
Share of profits of a joint venture	—	(53)	—	—	(53)
Profit/(loss) before income tax	74,493	(57,063)	159,884	(32,143)	145,171
Income tax expense	(27,999)	(397)	(24,736)	—	(53,132)
Profit/(loss) for the period	46,494	(57,460)	135,148	(32,143)	92,039
Material items of income and expense					
Depreciation and amortization	10,457	2,748	—	—	13,205
Reversal of impairment losses of trade and other receivables	(6,668)	(5,473)	—	—	(12,141)
Advertising and selling expenses	66,507	22,642	—	—	89,149

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

	Unaudited **Six months ended 30 June**	
	2015 ***RMB'000***	2014 *RMB'000*
China		
— Distribution of Kappa Brand products	**272,547**	192,029
— Retail of Kappa Brand products	**191,081**	125,492
— International business and others	**10,693**	5,763
	474,321	323,284
Japan		
— Distribution and retailing of Kappa Brand products	**71,965**	83,298
— Distribution and retailing of Phenix Brand products	**50,373**	58,498
	122,338	141,796
	596,659	465,080

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

	China-Apparel *RMB'000*	**Japan-Apparel** *RMB'000*	**Unaudited** **Investment** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
As at 30 June 2015					
Interests in a joint venture	**—**	**14,974**	**—**	**—**	**14,974**
Interests in associate	**—**	**—**	**62,082**	**—**	**62,082**
Available-for-sale financial assets	**—**	**—**	**4,057,795**	**—**	**4,057,795**
Deferred income tax assets	**30,053**	**—**	**—**	**—**	**30,053**
Other assets	**1,186,520**	**257,688**	**4,588,996**	**493,842**	**6,527,046**
Total assets before inter-segment elimination	**1,216,573**	**272,662**	**8,708,873**	**493,842**	**10,691,950**
Inter-segment elimination	**(33,657)**	**(7,559)**	**—**	**(95,285)**	**(136,501)**
Segment assets	**1,182,916**	**265,103**	**8,708,873**	**398,557**	**10,555,449**
Deferred income tax liabilities	**—**	**3,113**	**28,323**	**—**	**31,436**
Current income tax liabilities	**9,337**	**453**	**—**	**—**	**9,790**
Other liabilities	**158,924**	**125,320**	**886,472**	**39,455**	**1,210,171**
Total liabilities before inter-segment elimination	**168,261**	**128,886**	**914,795**	**39,455**	**1,251,397**
Inter-segment elimination	**(7,969)**	**(33,616)**	**—**	**(39,455)**	**(81,040)**
Segment liabilities	**160,292**	**95,270**	**914,795**	**—**	**1,170,357**

	China-Apparel *RMB'000* (Restated)	Japan-Apparel *RMB'000* (Restated)	Audited Investment *RMB'000* (Restated)	Unallocated *RMB'000* (Restated)	Total *RMB'000* (Restated)
As at 31 December 2014					
Interests in a joint venture	—	15,621	—	—	15,621
Available-for-sale financial assets	—	—	4,580,210	—	4,580,210
Deferred income tax assets	90,846	—	—	—	90,846
Other assets	3,225,140	339,402	3,101,594	98,445	6,764,581
Total assets before inter-segment elimination	3,315,986	355,023	7,681,804	98,445	11,451,258
Inter-segment elimination	(57,067)	(4,365)	—	(81,033)	(142,465)
Segment assets	3,258,919	350,658	7,681,804	17,412	11,308,793
Deferred income tax liabilities	—	3,192	7,612	—	10,804
Current income tax liabilities	22,591	923	—	—	23,514
Other liabilities	190,202	176,981	609,020	25,203	1,001,406
Total liabilities before inter-segment elimination	212,793	181,096	616,632	25,203	1,035,724
Inter-segment elimination	(4,663)	(56,001)	—	(25,203)	(85,867)
Segment liabilities	208,130	125,095	616,632	—	949,857

3 OTHER GAINS, NET

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Investment income from other financial assets	**161,739**	98,943
Gain on disposal of available-for-sale financial assets	**102,733**	11,572
Royalty income	**1,724**	5,550
Investment income from available-for-sale financial assets	**44,036**	20,632
Others	**2,468**	28,778
	312,700	165,475

4 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of goods sold	**252,953**	250,030
Depreciation/amortisation of property, plant and equipment, lease prepayments and intangible assets	**12,003**	13,205
Loss on disposal of property, plant and equipment	**312**	238
Advertising and selling expenses	**101,365**	89,149
Employee salary and benefit expenses	**70,984**	68,732
Design and product development expenses	**18,222**	21,469
Legal and consulting expenses	**3,274**	3,569
Operating lease in respect of buildings	**9,866**	12,086
Logistic fees	**25,891**	26,959
Provision for/(reversal of) inventories	**24,017**	(15,280)
Reversal of impairment losses of trade and other receivables	**(22,479)**	(12,141)
Travelling expenses	**6,439**	6,745
Auditors' remuneration	**1,000**	1,000
Others	**18,544**	15,684
Total of cost of goods sold, provision for impairment of inventories, distribution costs and administrative expenses	**522,391**	481,445

5 FINANCE COST, NET

	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Finance income:		
— Interest income from bank deposits	**8,107**	8,528
Finance cost:		
— Foreign exchange losses, net	**(5,652)**	(10,945)
— Others	**(3,112)**	(1,469)
	(8,764)	(12,414)
	(657)	(3,886)

6 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Current income tax		
— PRC enterprise income tax ("EIT")	**29,254**	31,870
— Taxation in Japan	**570**	420
Deferred income tax	**69,559**	20,842
	99,383	53,132

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

The Company was incorporated in the Cayman Islands. Under the laws of the Cayman Islands, there is no income, estate, corporation, capital gains or other taxes payable by the Company.

Hong Kong and Singapore profits tax have not been provided as there are no estimated assessable profits arising in or derived from Hong Kong and Singapore during the six months ended 30 June 2015 (2014: nil).

According to the New CIT Law, distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies. The Group provided deferred withholding tax liability amounting to RMB17,495,000 in relation to the undistributed profit for six months ended 30 June 2015 of its PRC subsidiaries.

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the six months ended 30 June 2015 applicable to this subsidiary is 30% (2014: 30%) based on the assessable profit. The inhabitant tax is determined based on rates (determined by the prefecture and city where the company maintains its operations) on the income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the six months ended 30 June 2015 (2014: nil), such subsidiary was subject to the minimum inhabitant tax payments.

7 EARNINGS PER SHARE

(A) BASIC

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
Profit attributable to equity holders of the Company *(RMB'000)*	**290,057**	96,498
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(thousands)*	**5,512,202**	5,510,235
Basic earnings per share *(RMB cents per share)*	**5.26**	1.75

(B) DILUTED

No diluted earnings per share have been presented since there was no potential diluted ordinary share as at 30 June 2015.

8 DIVIDENDS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Interim dividend of RMB1.57 cents per share (2014: RMB0.52 cents per share)	**86,921**	28,789
Interim special dividend of RMB2.10 cents per share (2014: RMB0.70 cents per share)	**116,265**	38,755
	203,186	67,544

Pursuant to a resolution passed on 19 August 2015, the board of directors declared an interim dividend and an interim special dividend of RMB1.57 cents and RMB2.10 cents per share, respectively (2014: RMB0.52 cents and RMB0.70 cents per share), totalling RMB3.67 cents, to be distributed from the share premium account of the Company. The interim dividend and interim special dividend, amounting to RMB203,186,000 (2014: RMB67,544,000) have not been reflected as dividends payable in the condensed consolidated interim financial information. They will be recognised in shareholders' equity in the year ended 31 December 2015.

During the six months ended 30 June 2015, 2014 final dividends of RMB571,226,000 (2014: RMB82,115,000) was paid in May 2015, including the dividends of RMB905,000 (2014: RMB377,000) to the Shares held for Restricted Share Award Scheme.

9 INTEREST IN ASSOCIATE

In April 2015, Brilliant King Group Co., Ltd. ("Brilliant King", a wholly-owned subsidiary of the Company) entered into the shareholders' agreement with Talent Rainbow International Limited ("Talent Rainbow", a company wholly-owned by Mr. Chen Yihong, the Chairman and Director of the Company) and Mengfa International Resources Inc. ("Mengfa International", an independent third party), in relation to the establishment of Boundary Bay Investment LLC ("Boundary Bay") for the purpose of acquiring 100% partnership interests of a limited partnership in Washington, which owns and operates a marina located in Washington, U.S. and undeveloped land surrounding the marina. Pursuant to the Shareholders' Agreement, the total investment to be contributed by Talent Rainbow, Brilliant King and Mengfa International are US$15,950,000, US$10,150,000 and US$2,900,000 respectively, representing 55%, 35% and 10% of the total issued capital of Boundary Bay, respectively.

	Six months ended 30 June 2015 *RMB'000*
Beginning of the period	—
Addition	**62,082**
Share of post-tax profits of associates	—
End of the period	**62,082**

The Group's share of the results in Boundary Bay and its aggregated assets and liabilities are shown below:

	As at 30 June 2015 *RMB'000*
Assets	**245,631**
Liabilities	**(106,670)**
Revenues	**1,370**
Share of profit	—
Percentage held	**35%**

10 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited Six months ended 30 June	
	2015 *RMB'000*	2014 *RMB'000*
At 1 January	**4,580,211**	3,223,605
Currency translation differences	**(2,672)**	20,622
Additions	**173,054**	42,989
Disposals-cost	**(17,823)**	(30,000)
Disposals — fair value change reclassified to income statement	**(133,991)**	(16,863)
Changes in fair value	**(540,984)**	(5,633)
At 30 June	**4,057,795**	3,234,720

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

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Market value of listed securities		
— Alibaba Group Holding Limited *(Note (a))*	**2,487,539**	—
	2,487,539	—
Unlisted equity securities in the PRC		
— Tebon Innovation Capital Co., Ltd. *(Note (b))*	**233,000**	222,000
— Yunfeng E-commerce Funds *(Note (a))*	**—**	3,229,119
— CITIC Mezzanine Fund I *(Note (c))*	**234,599**	237,604
— Yunfeng Fund II *(Note (d))*	**140,661**	63,881
— Shanghai Panxin Investment Management LLP. *(Note (e))*	**200,000**	202,125
— Hangzhou Yuanxin Dongchao Equity Investment LLP *(Note (f))*	**162,802**	164,929
— Yunfeng Xinchuang Equity Investment LLP *(Note (g))*	**150,000**	50,000
— Other investment *(Note (h))*	**449,194**	410,552
	4,057,795	4,580,210

Notes:

(a) Prior to 30 June 2015, the Group has investment in Yunfeng E-Commerce Funds which invested in the ordinary shares of Alibaba Group Holding Limited ("Alibaba"). In the six months ended 30 June 2015, Yunfeng E-Commerce Funds transferred to the Group the shares in Alibaba, therefore, the investment is transferred to Level I from Level II. During six months ended 30 June 2015, the Group acquired 70,000 shares with the consideration of USD5,677,000 and disposed 201,000 shares for the consideration of USD19,626,000. 2,000,000 shares of Alibaba Group Holdings Ltd. are pledged as collateral.

(b) In December 2013, the Group entered into subscription agreement with Tebon Innovation Capital Co., Ltd with the consideration of RMB200,000,000. The investment is measured at fair value of RMB233,000,000 as at 30 June 2015. In July 2015, the investment was redeemed in the amount of RMB233,000,000.

(c) In September 2011, the Group entered into subscription agreements and limited partnership agreements with CITIC Mezzanine Fund I, which is a limited partnership established for the purpose of making equity and debt investments in the PRC. As at 30 June 2015, the investment was stated at fair value of RMB234,599,000.

(d) In May 2013, the Group entered into subscription agreements and limited partnership agreements with Yunfeng Fund II L.P, which is a limited partnership established for the purpose of making equity and debt investments in the PRC. As at 30 June 2015, the investment was stated at fair value of RMB140,661,000.

(e) In November 2014, the Group entered into subscription agreements and limited partnership agreements with Shanghai Panxin Investment Management LLP., which was established for the purpose of making equity and debt investments in the PRC. During the period ended at 30 June 2015, the Group received investment income of RMB11,095,000. As at 30 June 2015, the investment was stated at fair value of RMB200,000,000.

(f) In September 2014, the Group entered into subscription agreements and limited partnership agreements with Hangzhou Yuanxin Dongchao Equity Investment LLP, which invested in manufacturing industry. As at 30 June 2015, the investment is measured at fair value of RMB162,802,000.

(g) In September 2014, the Group entered into subscription agreements and limited partnership agreements with Yunfeng Xinchuang Equity Investment LLP with initial capital of RMB50,000,000. During the period ended on 30 June 2015, the Group paid capital of RMB100,000,000. As at 30 June 2015, the investment is measured at fair value of RMB150,000,000.

(h) Other equity investments are stated at fair value at year end and mainly include investments in unlisted investment funds, whose investments are mainly in high-tech industry, finance service industry and manufacturing industry.

The valuation techniques of other equity investments mainly include last traded price, net assets value and other techniques. The unobservable inputs mainly include liquidity discount and others.

11 TRADE RECEIVABLES

	Unaudited 30 June 2015	Audited 31 December 2014
	RMB'000	*RMB'000*
Trade receivables		
— Third parties	**224,100**	346,250
— Related parties	**127,910**	155,720
	352,010	501,970
Less: provision for impairment	**(147,003)**	(183,760)
Trade receivables, net	**205,007**	318,210

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

	Unaudited 30 June 2015	Audited 31 December 2014
	RMB'000	*RMB'000*
Current	**136,123**	270,617
Within 30 days	**54,475**	45,629
31 to 120 days	**73,752**	103,418
Over 120 days	**87,660**	82,306
	352,010	501,970

12 OTHER FINANCIAL ASSETS

	Unaudited 30 June 2015 *RMB'000*	Audited 31 December 2014 *RMB'000*
Other financial assets — non-current portion		
Preferred shares *(Note (a))*	**65,797**	124,664
Equity investment at fair value through profit or loss *(Note (b))*	**303,918**	146,856
Loans and receivables *(Note (d))*	**50,225**	50,243
	419,940	321,763
Other financial assets — current portion		
Treasury products issued by commercial banks *(Note (c))*	**1,648,344**	2,079,905
Loans and receivables *(Note (d))*	**1,507,320**	699,926
Equity investment at fair value through profit or loss *(Note (e))*	**117,598**	—
Others	**9,322**	—
	3,282,584	2,779,831

Notes:

(a) The financial assets at fair value through profit or loss include investments in preferred shares of a company listed in Hong Kong and PRC.

(b) Equity Investments at fair value through profit or loss include:

(i) In December 2014, the Group made investment in a company whose shares are traded in over-the-counter market. As at 30 June 2015, the investment was stated at fair value of RMB146,727,000.

(ii) In January 2015, the Group loaned RMB150,000,000 to a company incorporated in the PRC (Company A) at the interest rate of 11% per annum with maturity of 2 years. The Group is entitled to convert the principal of the loan into ordinary shares of Company A in the subsequent 2 years. As at 30 June 2015, the investment was stated at fair value of RMB157,191,000.

(c) The treasury products are unlisted, issued by listed commercial banks in the PRC. The principals of these investments are guaranteed. The investments are interest bearing at rates ranging from 3.14% to 5.9% (2014: 4.8% to 6.0%) per annum, denominated in RMB and with maturity periods within one year.

(d) As at 30 June 2015, the loans and receivables held by the Group mainly include:

(i) In October 2014, the Group lent RMB50,000,000 to Chengdu Yongzhi Investment Co., Ltd. at the interest rate of 18% per annum with the maturity of 24 months. During the period ended 30 June 2015, the Group received interest of RMB4,550,000, which has been recognised in other gains, net.

(ii) In May 2015, the Group lent RMB400,000,000 to a company incorporated in the PRC (Company B) at the interest rate of 12% per annum with the maturity of one year.

(iii) In June 2015, the Group lent RMB450,000,000 to a company incorporated in the PRC (Company C) at the interest rate of 12% per annum with maturity of two months.

This balance was secured by USD75,000,000 (equivalent to RMB458,520,000) delivered by Company C, which has been recognised in accruals and other payables.

(iv) In June 2015, the Group lent RMB250,000,000 to a company incorporated in the PRC (Company D) at the interest rate of 11% per annum with maturity of one year.

(v) In April 2015, the Group lent RMB330,000,000 to a company incorporated in the PRC (Company E) at the interest rate of 12% per annum with maturity of one year.

(vi) In April 2015, the Group lent USD10,000,000 (equivalent to RMB61,136,000) to a company incorporated in the British Virgin Islands (Company F) at the interest rate of 12% per annum with maturity of one year.

(e) In June 2015, the Group acquired 53,220,000 shares in Alibaba Pictures Group Ltd. with the consideration of HKD155,110,000 and disposed 3,670,000 shares with the consideration of HKD12,135,000.

13 OTHER FINANCIAL LIABILITY

	Unaudited 30 June 2015	Audited 31 December 2014
	RMB'000	*RMB'000*
Other financial liability	**—**	609,020

It mainly includes consideration received and indemnity recognised in relation to disposal of available-for-sale financial assets, which was paid in March 2015.

14 BORROWING

	Unaudited 30 June 2015	Audited 31 December 2014
	RMB'000	*RMB'000*
Bank borrowing	**427,952**	—

In June 2015, the Group borrowed USD70,000,000 (equivalent to RMB427,952,000) from Morgan Stanley Bank, N.A. at the interest rate of 2.18% per annum with maturity of six months.

The borrowing is secured by 2,000,000 shares of Alibaba Group Holdings Ltd. as owned by the Group.

15 TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Unaudited 30 June 2015	Audited 31 December 2014
	RMB'000	*RMB'000*
Current	**44,143**	107,686
Within 30 days	**47,248**	37,861
31 to 120 days	**—**	1,991
Over 120 days	**41,072**	8,173
	132,463	155,711

The trade payables are mainly denominated in RMB and JPY. The carrying amounts of trade payables approximated their fair values as at the balance sheet dates.

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Review

Global economic performance improved slightly in 2015 following a meagre 2.6% growth recorded for 2014. Growth continued to be moderate as new challenges emerged with the economic recovery. However, the chain effect of various risk factors might also result in weaker-than-expected growth. Ongoing economic weakness meant that many countries remained subject to the potentially huge crisis of high unemployment rates. It should be noted that, while the overall inflationary rate on a global basis remained stable, the inflationary rates of certain developing countries and economies in transition continued to rise, whilst developed economies in Europe were facing the risk of deflation. Despite a slight increase in trade growth, there seemed to be no end for the continued decline in international prices of primary commodities which had lasted for two years.

Since the end of last year, a series of changes have taken place in the domestic economy and related policies. Growth in the domestic industrial added-value for the first four months of this year continued to slow down, signifying increasing pressure of an economic decline. The decline in the export growth rate was obvious, while the slowdown in investment in the property and manufacturing sectors was faster than expected. For the banks, effective loan demand was inadequate and the inflationary rate was in decline. Confronted with such pressures, the government increased the magnitude of its proactive fiscal policy by expediting the approval and commencement of water conservancy and railway projects and introducing reforms to streamline procedures and delegate powers, in a bid to drive the transformation of domestic industries. The launch of the "Silk Road Economic Belt" initiative has provided a platform for China's cooperation with its regional neighbours, reaching out to the Asia Pacific economic circle in the East and tapping the European economic circle in the west. Through the direction of government policies, further structural adjustments have been made to the economy. While the domestic economic growth rate for the first half of the year was lower than expected, quarter-on-quarter comparisons are expected to indicate slight improvements for the second half of the year over the first half, given the larger context of global economic recovery and with the benefit of the government's proactive reforms and policies.

Industry Overview

For the first six months of 2015, total retail sales of consumer goods in China amounted to RMB11,729.7 billion, representing year-on-year growth of 10.4%, while retail sales of commodities also increased by 10.2%. It is worth noting that, in line with the development of the e-commerce retail sector, total online retail sales of physical commodities for the first half of the year grew by 38.5%, year-on-year, and accounted for 9.5% of total retail sales of consumer goods. In particular, online retail sales of daily-use items registered a 41.9% growth.

Under the impact of economic factors and lacklustre global demand in recent years, the business environment for China's sportswear industry has been quietly changing, and the industry is in dire need for transformation and upgrade. After a year of adjustments and explorations, the leading companies are taking on new challenges with vigour and driving progress in multiple business models. The problems of imbalanced demand and supply and overstocking, once the biggest concerns for China's sportswear industry, are now bygones. Instead, the sportswear industry has embarked on a robust process of transformation and upgrade.

In recent years, leading sporting brands have been able to make breakthroughs and open up a new path for growth with considerable success by riding on the phenomenal development of e-commerce. The performance of e-commerce retail is expected to remain strong this year. In addition to consolidating channels and increasing cooperation with various e-commerce platforms by market leaders, the sporting brands have also been vigorously developing O2O and O2P business models, in a bid to clear up stocks and enlarge market shares through electronic sales.

Moreover, since early 2015, sporting brands have been investing their money in other industries in a move for business transformation, such as diversifying their scope of business from the sales of sporting products to the opening of sports and fitness centre or other related businesses. Elsewhere, numerous sporting brands have employed latest Internet technologies in their products, such as experimental wearable devices, in a bid to create a new niche for profit. In the meantime, with ongoing improvements in living standards, new demands and more specific requirements for garments have fostered structural growth for the sportswear industry, such as the sub-segments of outdoor sports and designer's brand, etc, which hold out immense potential for development.

Following the promulgation of "Several Opinions on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" last year, provincial and local authorities across the nation have been introducing relevant policies during this year to aid the development of the sporting industry and increase its share of gross domestic production. Under the new social ethos of "Sports for All," the sporting industry of China is set to embrace a new era of development, underpinned by a significant increase in domestic demands and requirements for sporting goods which will in turn drive the sales and development of sporting brands.

Despite the general slowdown in global economic development, the sportswear industry is expected to advance, with an inquiring spirit, in a healthy and stable manner in 2015, leveraging stronger policy support and the accelerating pace of industrial transformation.

Brand Building and Marketing

PRC — Kappa brand

During the first half of 2015, the Group continued to enhance its brand and event promotion through a combination of online and offline channels and leveraged its vigorous cooperation with social media as well as fashion and sports media to publish product and brand information, achieving notable results in terms of the enhancement of brand exposure and reputation.

During the first half of 2015, Kappa reaped immense benefits from soft text and product placement. In March, Kappa placed advertisements in the "Information of New Products" section in *Trends Health*, giving a new interpretation of Kappa's classic series through displays by models. Collaborations with *Soku* and *Size Trendy Life Magazine* featured new product advertisements by way of "tips for clothes and accessories matching." The unique presentation has provided a perfect illustration of the functionality and fashionable character of Kappa wear and created strong advertising value. At the spectacular Kappa x Feige Retro Gala held in March, a wide range of retro items were displayed and sold, while a series of creative activities such as table soccer and dart games were also held in tandem with Kappa's brand character of mutual trust and optimism, resulting in extensive media coverage. In April, the Group continued to promote Kappa jackets and shorts in *Trends Health*, *Yoho!* and other relevant printed media through the use of large photos of movies stars. Also, Kappa has brought its "Kombat" series to a number of cities by organizing evening event #Together Once Again# Kappa Night, fully embodying the brand concepts of "Passionate, Rebellious and Outgoing" and drawing the attentions of the media and consumers.

In May, the launch ceremony of the Kappa x CLOT joint campaign was held at 1933 Old Millfun, Shanghai. Under the main theme of "Trendy Brothers' Club", the idea of "Total Trust" was elaborated in detail and an unprecedented subtle and passionate trendy joint product was forged. Considerable market influence was created with outstanding advertising effect as media on all fronts, including printed, online and new media, bombarded the market with reports on the new product.

Japan — Kappa brand

During the first half of 2015, Kappa Japan sponsored sporting events designed for mass participation by the public through target-specific exposures and training services.

In April, a "Family Indoor Soccer Tournament" was held in association with the Miyazaki Football Association and Kappa products were given out by the Kappa Japan team to winning teams. As one of the strongest local sides, the Miyazaki soccer team had a huge fan base. In the course of cooperation, Kappa targeted its promotion activities specifically at these fans to increase their enthusiasm in the Kappa brand, thereby increasing the sales of Kappa products. A high level of exposure was created as Kappa sponsored the training items of Honda Lock's coach and players in the "Honda Championship Match" between Honda Lock and Honda FC and set up sales counters at the stadium to hand out gift sets to junior spectators. At the match between JEF and FC Yokohama held on 3 May 2015, Kappa launched an associated promotional activity known as "Kappa Presents ・ Friendship Day." More than 10,000 JEF fans received presents from Kappa. Moreover, junior spectators who purchased Kappa wear at the stadium got the chance to participate in fun activities such as "The DJ Experience" and "The Photographer Experience." All in all, Kappa was the most eye-catching sporting brand during the match.

Japan — Phenix Brand

In the first half of 2015, the Phenix Japan team continued to place advertisements in different types of magazines in line with the marketing model adopted last year. On top of such placements, a wider variety of campaigns were rolled out in a major effort for Phenix's market development in Japan. During the first half of the year, Phenix sponsored a number of tournaments and matches and its logo was widely displayed on the athletes' jerseys and billboards. Such campaigns have enhanced the reputation and prestige of the brand.

The FORMULA and FREERIDE marketing event organized by Phenix in March enjoyed a strong turnout as Onozuka Ayana was invited to join in a brand promotion on the back of the Olympics theme. Meanwhile, the unique professional qualities, functionality for extreme sports and fashionable beauty of Phenix products was thoroughly displayed by the Phenix Japan team in the outdoor exhibition ground.

Product Design and Research and Development

Apparel Series

ESSENTIAL Series

The classic is, by definition, a trend that has stood the test of time. The Kappa ESSENTIAL series is one such classic, unruffled amid the fast-changing fashions as it continues to express its pure self in minimal yet subtle styles: fresh, natural, carefree and full of energy. Be it the soft touch of interlock or alternative woven fabric, or traditional details such as the artistic rendering of "OMINI" and the four buttons, the ESSENTIAL series has never departed from the principle with which the Kappa brand has been founded: producing classics with fabric of the best quality through the most rigorous processes. This season, in addition to numerous popular styles, there was an emphasis on designs with fashionable colour combinations, clashes and the retro sporting attitude to create a perfect blend of classical and trendy styles.

KOLOR Series

Being young is to be licensed to run rampant and go over the top as you please, to be identified with the out-of-the-box colour styles of the KOLOR series, which combines slim-fit, patching designs and exclusive colours into one and this season's collection features some of the most in-fashion and youthful designs, such as the class campus style, baseball style, trendy national flag imprints and the wild but low-key leopard-head design. Various types of fabric have been used to work with different designs, complemented by unique cuttings and bold, carefree styles to highlight the vigor and dynamism of the youth. The young and fashionable character of the KOLOR series is further demonstrated by the casual dolman sleeves and the unique hipster design for the sporty, coming in slim-fit or loose-fit editions.

Kappa KOMBAT Series

The Kappa KOMBAT series is a trendy wear that blends sports and fashion for youngsters. The idea of the design is to allow young men and women who love sports and fashion to emphasize the beauty of their shape and boast their youthful energy. As a signature of Kappa's expertise in combining athletic functionality and fashionable designs, the KOMBAT series is subject to constant reinterpretation and innovation on the back of its illustrious track records. The series seeks to retain the athletic comfort of professional gear and complement it with 3D cutting enhanced by new technologies, bringing the outfit closer in line with to the build of Asians to highlight their silhouette. This season, the KOMBAT series introduced a brand new 3D template with a cool, bottom-up triangular shape, as well as the 3D raglan sleeve cutting. As the most committed frontrunner in the blend of sports and fashion, the KOMBAT series continued to launch new products for creative and influential fashionable sports, thanks to the ingenious craft of Kappa designers.

KOMBAT 88 Series

The KOMBAT 88 series is a new product line derived from the prototype KOMBAT series. Whereas the original KOMBAT series is characterized by the blend of comfort for the athlete and fashion, KOMBAT 88 is more about personality and character, as manifested by the dramatic large logo which highlights the fashion statement of Kappa. Underneath the athletic appearance, there was a playful and lovely combination of new and unique styles. The short-front and long-back A-shaped design makes the outfit a suitable wear for different occasions.

K-Star Series

The K-star Series with the signature imprints on both sleeves continued to focus on light street fashion for this season. The large prints of "1916" on the front or the back and the brand logo echo with the classic imprints, projecting at once a strong sense of trendiness while retaining the historical heritage of the brand. As a signature design for popular street wear, the zip-to-hood feature, stars and mixed-colour imprints have been extensively used, while the drop-shoulder template adorned by mainstay base colours provides the perfect gear for the street chic master in the making.

LA 84 Series

The LA 84 series is a classic series honouring the Olympics games that revisits epic moments of the 1984 Olympics in Los Angeles. Athletic comfort is complemented by both modern and classic elements. The logo of the LA Olympics is matched with the brand logo with double side linings and a black and red design, offering easy mix-and-match options for the wearer. This series features masterful cutting of polyester fabric and light and thin materials, making it an ideal choice for spring and summer. The fashion, attractiveness and athletic qualities of the LA 84 series are evident in its choice of fabric, template and design details.

LA POLO Series

The classic POLO shirt is easy to wear and classy in style. The wide variety of colour options has offered matching choices like none before. The premium flat-knit collar and collar stand and the exquisitely embroidered logo complemented by a shell-shaped button are only some of the fine details that highlights the noble elegance of the LA POLO series. Soft and refined spandex gives the shirt exceeding comfort as a summer wear.

MESH Series

The unique polka dots of the MESH series brings to life again this frenzied design during the 1950s, while adding a retro taste to the fashion. The distinctive big mesh or full mesh designs and the loose-fit templates assure cool freshness on a mid-summer day.

RAINWAY Series

The RAINWAY series is the perfect spring wear for girls. The playful retro polka dots moderate the spring colours, while the light and waterproof fabric assures compatibility with different weathers. In addition, the Kappa RAINWAY series offers a range of clashing national flag colours for one-of-a-kind young ladies, highlighting the bold and highflying character which is the privilege of the youth. For all its unrivaled coolness, the series also serves well as windbreakers to keep you warm. In short, the RAINWAY series is the unmistakable prime choice for young girls.

Pantswear Series

The pantswear series has been well-loved by fashionable young consumers. While retaining popular items, we have also launched a wide range of trendy designs to fulfill the diverse matching requirements. The large side pockets provide convenience with a subtly carefree touch, while the popular Daisy, polka dots and alphabet prints imparts more liveliness, comfort and fun to the pants.

Shoes Series

The classic retro running shoes have been designed to better fulfill users' needs. The young and energetic colour clashes, K-chromatic combinations, pure-coloured uppers and streamlined profiles have set the trend of fashionable running shoes. Our latest shoe last made of premium calf leather serves to create a slim-fit template for the urban youth. The shoes thus made are soft, breathable and deformation-proof. The latest upgraded version of the large sole assures lightness and stronger resilience for the outsole to afford maximum comfort and ease in action.

As a typical street wear, board shoes are full of possibilities. The "K" signature fits in well with any fashion style, while the linings on the upper impart a sense of mystery and fashion. The suede material is of premium quality, while the fine fiber used affords sound ventilation. A pair of dazzling board shoes in action and movement creates a strong visual impact, while meeting a diverse range of mix-and-match requirements of the fashionista.

Accessories Series

As a forerunner in fashionable sportswear, Kappa has custom-made a wide range in-fashion accessories, ideal for matching purposes, for the consumers. The double-strap bag has become trendy again in 2015. A number of vastly popular items have been launched under the Kappa double-strap bag series that blends classic styles and trendy designs on a sporting overtone. The barrel-shaped bag comes in a plain and dignified modernist design, with choices of double straps, side strap, single strap or handholding. The square bag comes in a personalized design and is easily distinguished from other square-shaped sports bags by its unique inner design complemented by dark-toned colour. The sportive waist bag is specifically designed for runners according to the structure and functions of the human body, while the choice of classic or clashing colours makes running more enjoyable. Meanwhile, the navy-stripe single-strap bag and handheld bag, coming in classic colour tones for the ease of matching, are a must for summer holiday trips.

In addition, a cap of your choice for matching purposes under the blazing sun will bring your fashion sense into full play. The 3D embroidery with a colour-clashing design is highlighted by the eye-catching numericals of "1916", a hallmark for the cool guy, while a range of macaron colours are available for the ladies. Alternately, the unisex denim army cap with vertical stripes is also a good choice for durability. With the stylish Kappa caps, you can ride through every turn of the latest fashion trends.

In 2015, the Japan team continued to make contributions in research and development by strengthening research on details, conducting in-depth development of zippers, sewing techniques, rain and wind protection functions on the back of past technologies to cater to specific outdoor needs. Such research efforts have provided solid functional support for the fashion products in a fine interpretation of the functionality of sports and the fashion element of functionality.

Upgrading our retail network

During the period under review, the Group continued to optimize its sales network and store efficiency, assessed its store network and made adjustments accordingly. As at 30 June 2015, the Group had a total of 1,231 Kappa retail stores operated directly or indirectly under the China segment, representing a net increase of 21 stores as compared to the end of last year. The distribution network of retail stores covered all major provincial capital cities and other major cities and townships in China.

In the first half of 2015, the number of retail stores directly or indirectly operated by 8 self-owned subsidiaries of the Group increased to 354 stores. As such, the Group has further developed the coverage of its self-owned retail network and consolidated its self-operating business, resulting in notable revenue for the Group.

In 2015, the development of the e-commerce market remained robust. On the back of the positive effect of destocking efforts in the previous period, the Group further increased the online supply ratio for new and special online items, as well as enlarged the percentage share of self-owned online businesses. Through the development of special online products, the sales mix of online products has been optimized and gross profit margin has been improved, while our product and brand reputation has also been enhanced as a result. Promotion and festive events were also organized in association with e-commerce partners to further explore the market and appeal to more consumers.

Increasing the contributions of Group projects

At a time of transition when the industry is investigating new possibilities, the Group made preemptive moves to embark on a path of reform and innovation with prudence and astuteness. Now, while China Dongxiang has safely steered through the dark period of the industry, we must continue to pursue change and progress in order to broaden its market, if we are aiming at higher grounds. Without prejudice to the stable growth of its principal business, the Group continued to adopt a prudent approach in investment during the first half of 2015. We established a department for investment management and assigned dedicated staff to manage its investment projects, which include fixed income investment and risk investment. In relation to fixed-income investment, the Group optimised its product mix in a systematic manner and enhanced coordination over fund applications, with a view to generating long-term stable income for shareholders in a risk-proof approach. In relation to risk investments non-fixed income, the Group exercised prudent control over the scale of such investments to limit them within a reasonable range, while actively identifying opportunities in star companies in the Internet, hi-tech, new energy, and financial sectors, aiming to share value growth while ensuring controllability of potential risks. The Group also continued to monitor new opportunities in other specific sectors, driving its investment operations in a prudent yet prospective manner. Leveraging its existing resources and advantages, the Group strengthened cooperation with investment partners and explored projects with potential and significance, in order to secure broader development prospects for the Group. With the support of our dedicated staff, the Group could focus on new opportunities in other sectors, and enter into a closer cooperation with investment partners by utilizing our existing resources and competitive edges, bringing the Group and our Shareholders long-term and stable income on the foundation that assets allocation will be maintained at a reasonable level.

OUTLOOK

In the first half of 2015, China Dongxiang swiftly removed any negative factors and returned to the track of fast growth on the back of a range of precise and far-sighted policies and actions, having survived a period of industry doldrums and volatile market conditions.

The second half of the year is expected to be abound with opportunities, while "stability" and "innovation" will remain the watchwords for the Group's operations. First of all, we will vigorously optimize our existing business structure in a prudent manner and reinforce our existing business model of "self-owned retail outlets + dealership + franchise chain" to increase sales and improve outlet efficiency. Next, we will strive to enhance the uniqueness and creativity of the Kappa brand, developing new products on a continued basis to meet the demands of different consumer groups. While enhancing our brand image, we aim to actively investigate new claims and demands of consumers, in order to afford clothing experiences with more comfort and fashion. Meanwhile, in keeping with current industry trends, we will integrate our online and offline businesses, optimize our of e-commerce channels, improve the efficiency of our logistical distribution and response to market information, and support the increase in sales with a strong supply chain and logistical chain.

Fast away time passes as we stand midway through 2015. As we venture ahead, we have always adhered to our initial goals: to prevail in the fast-changing market with a commitment to innovation and progress. In times of adversity, we adopt a low profile and focus on the research of new models and practices; in times of favourable conditions, we capitalize on opportunities available and expand.

In a fast-moving market where underperformers can be eliminated rather quickly, the people of Dongxiang remain firmly committed to their pledge to consumers: to supply products with constant improvements in quality, and to conduct its operations in a stable manner with "pragmatism, innovation and passion." We are grateful that along the long and winding path of development, our shareholders and friends who support Dongxiang have always been with us through thick and thin, and we pledge to honour our mission by seeking greater return for our Group and shareholders.

Financial Review

The sales for the first half of 2015 of the Group was RMB597 million, increased by 28.4% as compared to RMB465 million for the first half of 2014. Profit attributable to equity holders for the first half of 2015 was RMB290 million, increased by 202.1% as compared to RMB96 million for the first half of 2014.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Six months ended 30 June						
	2015			2014			
	RMB million	**% of product/ brand mix**	**% of Group sales**	*RMB million*	% of product/ brand mix	% of Group sales	**Change**
CHINA SEGMENT							
Kappa Brand							
Apparel	**323**	**69.6%**	**54.1%**	220	69.4%	47.3%	46.8%
Footwear	**129**	**27.8%**	**21.6%**	85	26.8%	18.3%	51.8%
Accessories	**12**	**2.6%**	**2.0%**	12	3.8%	2.6%	0.0%
Kappa Brand total	**464**	**100.0%**	**77.7%**	317	100.0%	68.2%	46.4%
International business, RDK and others	**10**		**1.7%**	6		1.3%	66.7%
CHINA SEGMENT TOTAL	**474**		**79.4%**	323		69.5%	46.7%
JAPAN SEGMENT							
Phenix Brand	**51**	**41.5%**	**8.5%**	59	41.5%	12.7%	-13.6%
Kappa Brand	**72**	**58.5%**	**12.1%**	83	58.5%	17.8%	-13.3%
JAPAN SEGMENT TOTAL	**123**	**100.0%**	**20.6%**	142	100.0%	30.5%	-13.4%
THE GROUP TOTAL	**597**		**100.0%**	465		100.0%	28.4%

China Segment

Total sales of the Kappa brand business, the core business of the Group, in the first half of 2015 was RMB464 million, increased by RMB147 million from RMB317 million in the first half of 2014.

In the reporting period, the Group continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + retail" in a bid to, on the one hand, further clarify our brand images and product positioning, satisfying market demand well by elevating the quality and classiness of our products; and, on the other hand, optimize and apply a new operation model in control and management, maximizing consumers' satisfaction by giving prompt response to the demand from end customers. In addition, the Group has conducted adjustments and restorations to its retail stores, resulting in a significant improvement in store performance. As at 30 June 2015, the

Group had a total of 1,231 stores, representing a net increase of 21 stores compared to 1,210 stores as at 31 December 2014. Our store performance in the first half of 2015 increased by over 20% as compared to the same period last year.

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

	Six months ended 30 June				
	2015		2014		
	Sales *RMB million*	**% of sales of Kappa brand**	Sales *RMB million*	% of sales of Kappa brand	**Change**
Wholesale	**273**	**58.8%**	192	60.6%	42.2%
Retail	**191**	**41.2%**	125	39.4%	52.8%
Total of Kappa brand	**464**	**100.0%**	317	100.0%	46.4%

Sales of Kappa brand products via wholesale channel in China segment increased by RMB81 million to RMB273 million in the first half of 2015 from RMB192 million in the first half of 2014, representing 58.8% of the total sales of Kappa brand in China segment in the first half of 2015 as compared to 60.6% in the first half of 2014.

As at 30 June 2015, the number of self-owned retail stores under Kappa brand operated by our subsidiaries in China reached 354. Sales via retail channel increased by RMB66 million to RMB191 million in the first half of 2015 from RMB125 million in the first half of 2014, representing 41.2% of the total sales of Kappa brand in China segment in the first half of 2015 (1H 2014: 39.4%).

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

	Six months ended 30 June					
	2015		2014		**Change**	
	ASP *RMB*	**Total units sold** *in '000*	ASP *RMB*	Total units sold *in '000*	ASP	Total units sold
Apparel	**172**	**1,856**	115	1,971	49.6%	-5.8%
Footwear	**200**	**637**	160	550	25.0%	15.8%

Notes:

1. Average selling price per unit represent the sales for the period divided by the total units sold for the period.

2. Accessories cover a wide range of products that vary significantly in terms of average selling price per unit. We believe that the average selling price per unit analysis of this product category is not meaningful.

In the first half of 2015 and 2014, average selling prices per unit for apparel products were RMB172 and RMB115 respectively, and average selling prices per unit for footwear products were RMB200 and RMB160 respectively. Significant increases in average selling prices of apparel products and footwear products were mainly due to remarkable increase in share of sales of seasonal new products and increase in share of revenue from self-owned retail business.

Total units sold for apparel products in the first half of 2015, slightly fell by 5.8%, as compared to the same period last year, which were primarily due to significant decrease in off-season inventory for clearance and increase in sales volume of new products. Total units sold for footwear products in the first half of 2015 increased by 15.8%, as compared to the same period last year, which were primarily due to wide acceptance of our footwear new arrivals and classic footwear collection by the market.

Japan Segment

Sales from Japan segment in the first half of 2015 decreased by RMB19 million to RMB123 million from RMB142 million in the first half of 2014. The decrease in sales of Japan segment was mainly due to depreciation in Japanese Yen and recession in retail market remained in Japan.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group has risen by RMB3 million to RMB253 million in the first half of 2015 (1H 2014: RMB250 million).

In the first half of 2015, our gross profit net of provision for/reversal of impairment of inventories has risen by RMB129 million to RMB344 million (1H 2014: RMB215 million). Our overall gross profit margin net of provision for/reversal of impairment of inventories in the first half of 2015 rose by 11.4 percentage points to 57.6% from 46.2% in the first half of 2014.

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

	Six months ended 30 June		
	2015	2014	**Change**
	Gross profit margin	*Gross profit margin*	*% pts*
China segment	**64.1%**	52.6%	11.5
Kappa Brand:			
Apparel	**69.1%**	57.5%	11.6
Footwear	**59.2%**	49.8%	9.4
Accessories	**67.1%**	61.8%	5.3
Kappa Brand overall	**66.3%**	55.6%	10.7
Japan segment	**31.7%**	31.7%	0.0
Group overall	**57.6%**	46.2%	11.4

* *Net of provision for/reversal of impairment of inventories*

Gross profit margin of Kappa Brand in China segment in the first half of 2015 rose by 10.7 percentage points to 66.3% from 55.6% in the first half of 2014. Such rise was mainly due to higher profit margin of new products achieved in the first half of 2015, with such new products taking up a higher proportion of the sales. Also, our self-owned retail business has kept an increased proportion of our sales.

Gross profit margin of Japan segment in the first half of 2015 was 31.7%, substantially parallel to the level in the first half of 2014.

Other Gains, Net

Other gains net in the first half of 2015 was RMB313 million (1H 2014: RMB165 million).

Investment segment

Revenue from investment segment of the Group in the first half of 2015 was RMB309 million (1H 2014: RMB111 million), the revenue consisted of gains on interests of banking treasury products and borrowings of RMB162 million, gains on disposal of certain investments of RMB103 million and investment income from available-for-sale financial assets of approximately RMB44 million.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and selling expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses in the first half of 2015 was RMB245 million (1H 2014: RMB247 million), constituting 41.0% of the Group's total sales, decrease of 12.1 percentage points as compared with that in the first half of 2014. The Group has further optimized resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

As a result of necessary adjustments made in internal organizational structure and human resources, efficiency of all staff members has increased but overall staff costs have maintained substantially at the same level in the first half of 2014. Our overall staff costs slightly increased by RMB2 million to RMB71 million in the first half of 2015 from RMB69 million in the first half of 2014;

In the first half of 2015, advertising and selling expenses increased by RMB12 million to RMB101 million from RMB89 million in the same period last year. The increase was attributable to the further expansion of our self-operating retail business and enhanced efforts in Kappa brand promotion during the period to increase consumers' awareness of our brands;

In the first half of 2015, logistics and transportation fee slightly decreased by RMB1 million to RMB26 million as compared to RMB27 million in the first half of 2014, the amounts in both period were substantially flat;

In the first half of 2015, the Group continued to take a more cautious but effective approach in investment in product development. Our design and product development expenses was RMB18 million (1H 2014: RMB21 million).

Operating Profit

In the first half of 2015, operating profit of the Group was RMB387 million (1H 2014: RMB149 million). The operating profit margin was 64.8% in the first half of 2015 (1H 2014: 32.0%).

Finance Cost, Net

In the first half of 2015, net finance cost of the Group amounted to RMB1 million (1H 2014: RMB4 million), which consisted of interest income from bank deposit of RMB8 million (1H 2014: RMB9 million) and foreign exchange losses of RMB6 million (1H 2014: RMB11 million) in the reporting period.

Taxation

In the first half of 2015, income tax expense of the Group amounted to RMB99 million (1H 2014: RMB53 million). The effective tax rate was 25.8% (1H 2014: 36.6%).

Profit Attributable to Equity Holders of the Company and Net Profit Margin

Profit attributable to equity holders of the Company in the first half of 2015 was RMB290 million (1H 2014: RMB96 million), and net profit margin of the Group was 48.6% (1H 2014: 20.6%).

Earnings Per Share

The basic and diluted earnings per share were both RMB5.26 cents in the first half of 2015, increased by 200.6% against the basic and diluted earnings per share of RMB1.75 cents in the first half of 2014.

The basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Dividend and Special Dividend

The board of directors (the "Board") of the Company has resolved to declare an interim dividend and interim special dividend of RMB1.57 cents and RMB2.10 cents respectively per ordinary share (totaling RMB3.67 cents per ordinary share) for the first half of 2015, amounting to RMB87 million and RMB116 million respectively (totaling RMB203 million).

The interim dividend and interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.8249 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 18 August 2015. The dividends will be paid on or around 15 September 2015 to shareholders whose names appear on the register of members of the Company on 8 September 2015.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days in the first half of 2015 and the first half of 2014 were 70 days and 124 days. Decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable and an increase in sales.

Average trade payable turnover days in the first half of 2015 and the first half of 2014 were 84 days and 63 days, respectively.

Average inventory turnover days in the first half of 2015 and the first half of 2014 were 131 days and 127 days respectively, and the average inventory turnover days in the two periods were substantially flat.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 117 days and 178 days, respectively in the first half of 2015 as compared to 86 days and 145 days, respectively in the first half of 2014. Average inventory turnover days were 170 days in the first half of 2015 as compared to 181 days in the first half of 2014.

Liquidity and financial resources

As at 30 June 2015, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB1,836 million, a decrease of RMB710 million as compared to a balance of RMB2,546 million as at 31 December 2014. This decrease was mainly due to:

1) disposal of other financial products of bank of RMB2,008 million and acquisition of the same of RMB2,548 million;

2) payment of 2014 final dividend and final special dividend for an aggregate amount of equivalent to approximately RMB571 million;

3) cash inflow from operating activities of approximately RMB91 million;

4) investment in available-for-sale financial assets of approximately RMB173 million;

5) increase in bank borrowings of an amount of equivalent to RMB428 million;

6) Others of an aggregate inflow amount of RMB55 million.

As at 30 June 2015, net assets attributable to our equity holders was RMB9,370 million (31 December 2014: RMB10,340 million). The Group's current assets exceeded current liabilities by RMB4,467 million (31 December 2014: RMB4,992 million). The Group also had a very strong liquidity position. The current ratio as of 30 June 2015 was 4.9 times (31 December 2014: 6.3 times).

Investments in Available-For-Sale Financial Assets

As at 30 June 2015, our balance of investments in available-for-sale financial assets was approximately RMB4,058 million, representing a decrease of RMB522 million as compared with the balance of RMB4,580 million as at 31 December 2014. Such decrease was mainly due to decrease in price of shares in Alibaba Group Holding Limited (NYSE: BABA) which the Group has invested in.

Pledge of assets

As at 30 June 2015, the Group had approximately RMB60 million (31 December 2014: RMB53 million) in banks as guarantee deposit for the issue of letters of credit.

As at 30 June 2015, the Group had 2 million shares in Alibaba Group Holding Limited (NYSE: BABA) as collateral for securing bank borrowings of USD70 million.

Capital commitments and contingencies

In May 2013, the Group entered into a limited partnership agreement with Yunfeng Fund LP II, pursuant to which the Group subscribed a capital contribution of USD20 million. In May 2014, the Group entered into a capital contribution transfer agreement with another limited partner of Yunfeng

Fund LP II, increasing the Group's capital contribution to USD30 million. As at 30 June 2015, the Group paid a capital contribution of USD11.8 million with remaining balance of USD18.2 million (equivalent to approximately RMB111 million) as capital commitments.

In December 2014, the Group entered into a limited partnership agreement with Beijing Sequoia Shangye Investment Management Company with a total capital commitment of RMB50 million. As at 31 December 2014, the group has paid RMB25 million with remaining balance of RMB25 million.

Foreign exchange risk

The Group mainly operates in the PRC and Japan with most of the transactions denominated and settled in RMB and JPY, while limited purchases and sales are from overseas (other than Japan) that are settled mainly in USD. Foreign exchange risk also arises from certain bank deposits, available-for-sale financial assets, other financial assets and other financial liabilities denominated in currencies other than the functional currencies of the respective companies. The Company's financial statements expressed in USD were translated into RMB for the Group's reporting and consolidation purposes. The foreign exchange differences from the translation of financial statements are not recognised in the income statement. Instead, it should be recognised as a separate component of equity of the Group. The Group currently does not hedge its foreign exchange exposure.

Significant investments and acquisitions

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the six months ended 30 June 2015.

OTHER INFORMATION

Compliance with the Corporate Governance Code (the "CG Code")

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices.

During the period under review, the Company has complied with the code provisions set out in the CG Code as contained in Appendix 14 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except one deviation from provision A.2.1 of the CG Code.

Provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Our Company deviates from this provision because Mr. Chen Yihong performs both the roles of chairman and chief executive officer since 20 October 2011. Mr. Chen is the founder of our Group and has extensive experience in sporting goods industry in China. The Board believes that vesting the two roles in the same person provides our Company with strong and consistent leadership and facilitates the implementation and execution of our Group's business strategies. We shall nevertheless review the structure from time to time in light of the prevailing circumstances.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2014.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code")

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

Audit Committee

The Audit Committee of the Company, comprising three independent non-executive directors, has reviewed the interim financial information, financial reporting system and internal control of the Company, including the interim results for the six months ended 30 June 2015.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2015 of the Group has also been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose review report is included in the interim report to be sent to shareholders.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Book Closure

The Register of Members of the Company will be closed from 3 September 2015 to 8 September 2015, both days inclusive, for the purpose of determining shareholders' entitlements to the 2015 interim dividend and interim special dividend. In order to qualify for the 2015 interim dividend and interim special dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 2 September 2015 at 4:30 p.m.

Publication of Results Announcement

This interim results announcement is available for viewing on the Company's website at www.dxsport.com and The Stock Exchange of Hong Kong Limited's website at www.hkexnews.hk.

By Order of the Board of Directors
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

19 August 2015

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yihong and Ms. Chen Chen, and the independent non-executive directors of the Company are Mr. Gao Yu, Dr. Xiang Bing and Mr. Xu Yudi.