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

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

Interim Report 2017

Contents

Corporate Information

Executive Directors	Mr. Chen Yihong (Chairman & Chief Executive Officer) Ms. Chen Chen
Independent Non-Executive Directors	Dr. Chen Guogang Mr. Gao Yu Mr. Chen Johnny (appointed and effective from 5 July 2017) Dr. Xiang Bing (resigned and effective from 5 July 2017)
Auditor	PricewaterhouseCoopers Certified Public Accountants
Legal Advisers	Norton Rose Fulbright Hong Kong Conyers Dill & Pearman East & Concord Partners (Beijing)
Authorised Representatives	Mr. Gao Yu Ms. Wai Pui Man
Company Secretary	Ms. Wai Pui Man
Principal Share Registrar and Transfer Office	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor 24 Shedden Road P.O. Box 1586 Grand Cayman KY1-1110, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Registered Office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal Place of Business in Hong Kong	Office Unit 9, 13/F Tower Two, Lippo Centre No. 89 Queensway Hong Kong
Head Office in People's Republic of China	Building 21, No. 2 Jingyuanbei Street Beijing Economic-Technological Development Area Beijing 100176, People's Republic of China
Principal Bankers	Morgan Stanley Asia International Limited Industrial and Commercial Bank of China
Website	www.dxsport.com


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Information for Investors

OTHER IMPORTANT INFORMATION

1. Share information

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

Stock code: 03818

Number of ordinary shares issued as at 30 June 2017: 5,536,401,000 shares

2. Important dates

Announcement of 2017 interim results: 16 August 2017

Book closure date: 31 August 2017 to 4 September 2017 (both days inclusive)

3. 2017 interim dividend and interim special dividend

Interim dividend: RMB2.90 cents per share
Interim special dividend: RMB20.22 cents per share
Payment date: on or around 11 September 2017

4. Investor Relations Department

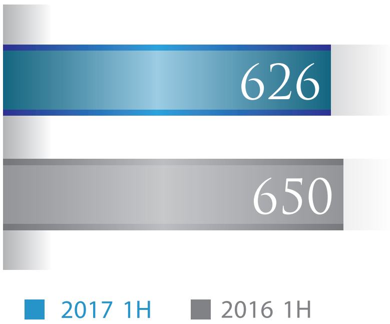
Building 21, No. 2 Jingyuanbei Street,
Beijing Economic-Technology Development Area,
Beijing 100176, People's Republic of China
Telephone: (8610) 6783 6585
Facsimile: (8610) 6785 6606
Email: ir@dxsport.com.cn

5. Website

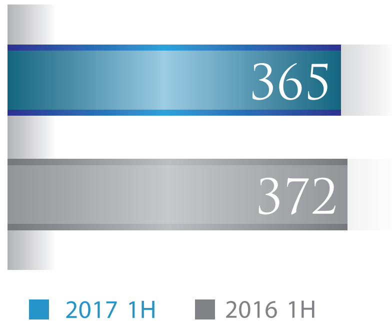
www.dxsport.com

RESULTS HIGHLIGHTS

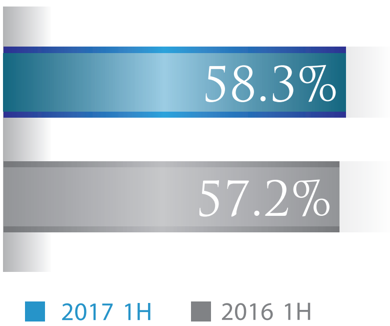
REVENUE (RMB MILLION)



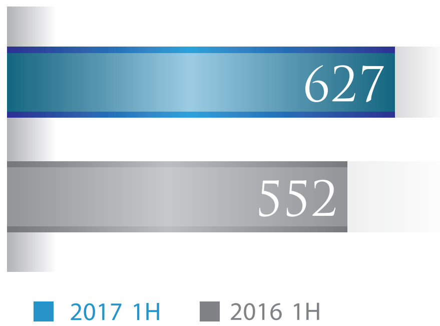
GROSS PROFIT (RMB MILLION) — before provision for inventories



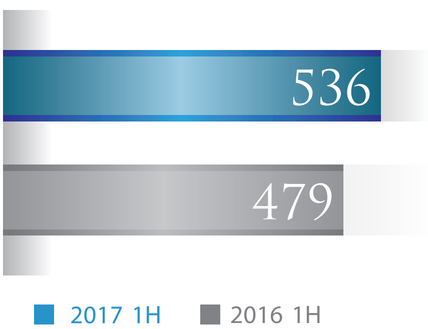
GROSS PROFIT MARGIN (%) — before provision for inventories



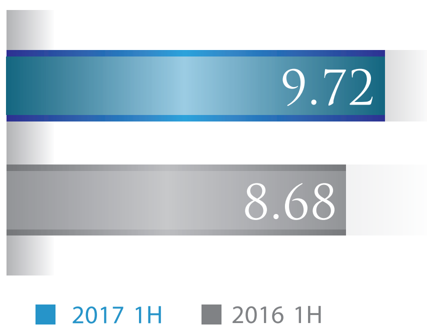
OPERATING PROFIT (RMB MILLION)



PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (RMB MILLION)



BASIC EARNINGS PER SHARE (RMB CENTS)



Chairman's Statement

Dear Shareholders,

As we greet the gorgeous summer of 2017, I am pleased to present on behalf of the Board our interim results for the six months ended 30 June 2017.

The global economy continued to improve during the first half of 2017, while China maintained the economic growth within reasonable range, positive momentum in stability became unquestionable and household income and spending structure was further optimised. In the first half of 2017, the gross domestic product of China was RMB38,149 billion, an increase of 6.9% as compared to the same period in 2016. China's per capita disposable income and total retail sales of consumer goods grew by 7.3% and 10.4% respectively.

Since the commencement of the 13th FYP, the PRC government has encouraged to organise professional sports games, construct and improve sports infrastructure and promote team sports. With the introduction of policies benefiting the sporting industry, such as the "Work-out For All Programme (2016–2020)", as well as the opportunities brought about by the Beijing 2022 Winter Olympics, household spending continued to improve. Growing health consciousness among population has mounted consumers' interest in sports and expanded the exercise participation rate, offering an attractive prospect for the sportswear industry. However, the Group recorded a slight decrease in revenue in the first half of 2017 due to the effects of the business adjustment in Japan and the persistence of market recession in Japan. Against this backdrop, the Group's operating profit and profit attributable to equity holders of the Company have been steadily maintained as our people sought to enhance our management capabilities, clarify our brand positioning and explore market demands in a concerted effort, while actively involving ourselves in joint activities with notable significance. At the same time, we have been able to generate remarkable returns from our investment operations on top of positive development of our core business, thanks to prudent and flexible investment strategies seeking proactive use of our financial resources to invest in scarce resources.

The Group's revenue for the reporting period reduced by 3.7%, year-on-year, to RMB626 million. The operating profit grew by 13.6%, year-on-year, to RMB627 million. Profit attributable to equity holders for the reporting period was RMB536 million, representing an increase of 11.9% as compared to the corresponding period in 2016. Basic earnings per share increased by 12.0%, year-on-year, to RMB9.72 cents. To reward our shareholders for their support, the Board of Directors has announced to distribute 30% and 30% of the Group's net profit attributable to equity holders for the six months ended 30 June 2017 as interim dividend and special interim dividend respectively. In addition, 2017 marks the 10th anniversary of the Group's listing. To express our gratitude to our shareholders for their long-term endorsement and support, the Board of directors has declared payment of additional special dividend of RMB959 million. In aggregate, the distribution of interim dividend and interim special dividend will be approximately HK$1.5 billion, dividend per share will be approximately HK$0.27, representing a total dividend rate of 239%.

"BRAND + PRODUCT"

In connection with the "Brand + Product" initiative, our designs have been aimed at meeting consumers' preferences and needs, complemented by consistent efforts to enhance our brand focus and facilitate product upgrades. Through a combination of online and offline brand marketing activities, as well as cooperation with renowned artists and opinion leaders in various industries, active efforts to launch joint products and pronouncement of brand messages in effective enhancement of brand exposure. In terms of product innovation, we have conducted cross-border cooperation with artists from different sectors, such as entertainment, music and arts, to express the concept of our brand by assimilating the brand with pop culture, endeavouring to seek new niches for growth. In the first half of 2017, Kappa initiated a tripartite collaboration with A.FOUR LABS by Kazuki Kuraishi and POSH ISOLATION, an avant-garde music label in Copenhagen to launch A.FOUR LABS meets POSH ISOLATION for KAPPA, creating a playful approach of cross-sector marketing. The cross-border combination covering sports, music and arts as well as aesthetics demonstrated Kappa's charisma and unique attitude towards fashion to trend lovers. In terms of brand promotion, the Group made vigorous efforts to develop marketing channels by engaging multi-channel promotion covering fashion magazines, social media and offline interaction, while continuing to pursue comprehensive, multi-dimensional exposure in all media forms to ensure further penetration of its brand image of being "passionate, rebellious and outgoing".

"BRAND + RETAIL"

In 2017, on the basis of further implementation of the "Brand + Retail" operation concept and business model, we, against complicated market conditions, conducted detailed analyses and surveys in connection with the streamlining and broadening of retail channels through in-depth research on the current conditions and future prospects of the domestic retail market as well as review on the operation and management of the brand company in a mindset that resonates with the thoughts of end-customers, laying a solid foundation for the healthy development of our retail channels in the future. As at the end of June 2017, the Group had a total of 1,639 Kappa stores (including 328 Kappa Kids stores), representing a net increase of 76 stores (comprising net increase of 10 Kappa stores and 66 Kappa Kids stores) compared to that as at the end of last year. These included 548 retail stores run by subsidiaries engaged in self-owned retail operations.

In the first half of 2017, China's online retail sales increased by 33.4% as compared to the same period last year to more than RMB3,000 billion, and the Group maintained a healthy development of its e-commerce business. In addition to active participation of promotion events organised by well-known e-commerce platform to attract new customers, the Group, in the first half of 2017, cooperated with a well-known video game IP, PAC-MAN, to launch the sales of Kappa x PAC-MAN series products solely on e-commerce platform, resulting in a better sales performance. E-commerce sales for the six months ended 30 June 2017 surged by 25% (e-commerce sales of kids wear excluded).

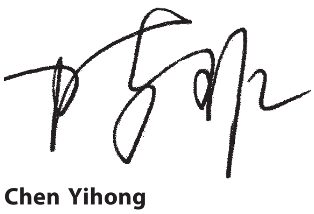
In the first half of 2017, the kids' wear business continued to grow steadily, and customers and channels were largely stable thanks to the coordinate effort of the operating teams. Gradual growth in profitability was reported following proactive adjustments to the products, while brand exposure and awareness were raised through various promotion events for the kid's wear business. For the six months ended 30 June 2017, revenue from the kids' wear business amounted to RMB42 million, accounting for 8.1% of revenue for the China segment. As at 30 June 2017, there were 328 kids' wear stores.

In the first half of 2017, the business in Japan was still undergoing recession. In this regards, the Group has made decisive efforts in business adjustment in Japan. On the one hand, we made adjustments to most of the management team. On the other hand, the operation approach of the business team has also been gradually evolving from the simple sales of products in the past to brand management. In the meantime, the Group has established its branch in Europe in order to enhance the development of Phenix business in Europe. Furthermore, the Group has made efforts to gradually introduce Phenix to China market to capitalise on opportunities arising from China's hosting of the 2022 Winter Olympics. Partnering with high-end ski centres, we sought to appeal to avid skiers by opening specialty stores at the ski grounds. We believe that through the above effective measures, the business in Japan will achieve considerable improvement in the near future.

INVESTMENT BUSINESS

In the first half of 2017, China's economy maintained steady and positive progress with further enhancement of supply-side reforms. As a result, both of new and conventional economic engines have grown stronger, leading to favourable development between supply and demand, investment and spending as well as industrial production and enterprise effectiveness. Consumer price in China continued to rise, while retail spending further upgrade. The Group has been engaged in the prudent development of new businesses and implementation of new approaches, on top of assuring stable progress of its principal operations. A two-pronged growth driver formed by the principal sportswear business and the complementary investment business has been growing in maturity. For the reporting period, the Group reported net investment profit of RMB514 million, representing year-on-year growth of 17.6%. The Group will continue to identify and explore potential projects in cooperation with high-calibre investment partners on the back of its existing resources and strengths, with a view to assuring broader prospects for development. We believe that our efforts will result in more lucrative and more lasting rewards for shareholders in the future.

Moving forward in the face of adversity with dauntless. In the future, China Dongxiang will continue to redouble its efforts going forward amidst uncertainties in the economic conditions and increasingly stiff competition in the industry. We will bank on our fighting spirit and maintain healthy and progressive development of the Group to deliver reasonable return to shareholders.



Chen Yihong
Chairman

16 August 2017

Management Discussion and Analysis

MACRO-ECONOMIC REVIEW

The global economy continued to improve in the first half of 2017. The developed economies showed steady recovery, particularly the United States and the Eurozone were enjoying a synchronised economic upswing. The paths of emerging markets and developing economies continued to diverge though China and India remained the economic leaders of the developing world. From a geographic perspective, Asia remained the engine of the global economy. However, risks and uncertainties remained as a result of economic imbalances over the course of global recovery and the unlikelihood of structural upsurge.

China's macro-economy in the first half of 2017 maintained steady and positive progress in the same manner of the second half of 2016. Thanks to the combined effects of a number of macro-economic policies for the supply-side structural reforms implemented by the Chinese government and the global economic recovery, most of the macro-economic indicators for China have improved with GDP growth of 6.9% in the first half of 2017. With further improvement on the microeconomics of China and continual optimization of economic structure, China has experienced an economic rebound with initial mitigation of risks and pressure, and the supply-side structural adjustments became incipiently effective, giving rise to China's overall economy in good shape.

INDUSTRY REVIEW

In the first six months of 2017, total retail sales of consumer goods grew 10.3% as compared with the same period of 2016 to RMB15,613.8 billion. Initial achievements in supply-side structural reforms were made and capacity cuts in traditional industries became incipiently effective. The apparel industry has positive outlook, particularly high-end and mid-range men's & women's clothes, leisure sportswear and kids' wear have delivered better performance. In 2017, sportswear industry in China continues to regain its lustre since its toughest period in 2013.

As stated in the "Work-out For All Programme (2016–2020)" issued by China's State Council, national consciousness of health and fitness will grow with significantly increased sports participation in 2020. 700 million people are expected to do physical exercise once or more in a week and 435 million people will be the frequent fitness participants. In addition, the 2022 Winter Olympics will also be an opportunity for the development of ski industry in China as 300 million people will participate into winter sports, creating a new consumption hotspot. As driven by the government policies, the sportswear industry is expected to enter into a "golden age" earlier.

In addition, trends for "athleisure" have changed swiftly and household consumption has structurally transformed and upgraded, people pursue fitness and health as their mainstream lifestyle. Certain subcategories of sports, such as diving, rock climbing, cycling, skiing and surfing, have been emerging vigorously, leading to an increase in demand for high-end sportswear with different functions and characteristics. With growing enthusiasm for fitness and health in China, the exercise demographics would promote the development of sportswear industry, expand domestic demand and become a new catalyst for economic growth.

BUSINESS REVIEW

In the first half of 2017, as China's economy has been holding steady, the Group maintained sound financial gains on the back of a solid business network sustained through active efforts to adjust business development, improve and expand sales channel, implement online-and-offline brand promotion strategies, conduct cross-border cooperation with well-known designers and IP as well as enhance brand image.

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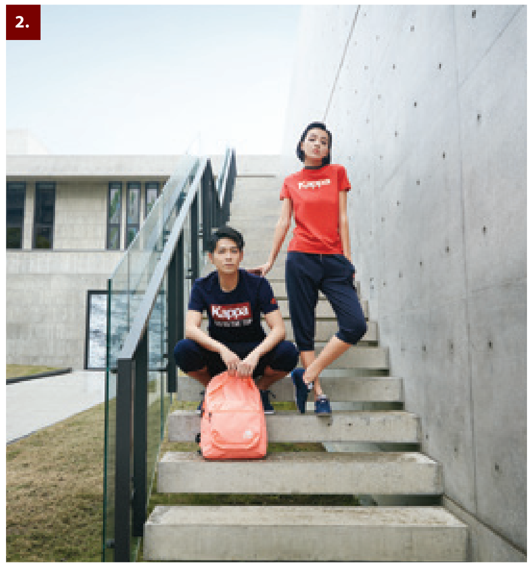

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1, 2. Kappa 2017 Spring/Summer series POP

3, 4. The launch event for A.FOUR LABS meets POSH ISOLATION for KAPPA held at Club 75 in Paris

5. Interviews with Kappa x PAC-MAN fashionistas

6. A.FOUR LABS meets POSH ISOLATION for KAPPA series POP

7. WMNS women's series products featuring Zhang Bichen

Brand Building and Marketing

PRC — Kappa brand

In the first half of 2017, in addition to a series of online and offline brand marketing campaigns, Kappa conducted cross-border cooperation with a number of artists from various difference domains, such as entertainment, music and arts, in order to turn pop culture into a collaboration with sportswear, embodying our brand philosophy.

In Summer 2017, Kappa initiated a tripartite cooperation with A.FOUR LABS by Kazuki Kuraishi, a renowned designer and POSH ISOLATION, an independent experimental music label in Copenhagen, to launch a cross-border collection of A.FOUR LABS meets POSH ISOLATION for KAPPA. The combination of sports, music and arts as well as aesthetics demonstrated Kappa's charisma and unique attitude towards fashion to trend lovers.

In addition, Kappa has jointly launched the product series of Kappa x PAC-MAN with PAC-MAN, the famous video game, offering a new surprise to PAC-MAN supporters. In respect of the theme of #YOU GONNA NEVER STOP#&#PEOPLE ON THE MOVE# connecting the spirit of Kappa to that of PAC-MAN, Kappa has invited 5 fashionistas with different dispositions to express their opinion by sharing their own stories, manifesting Kappa's unique fashion style.

After achieving satisfactory results from the marketing efforts for our kid's wear last year, Kappa Kids has continued a series of brand promotion events this year. Sales and promotion events were held in holiday and festival seasons, such as "Chinese New Year's Daze", "Travelling with babies in Spring" and "Bean-shaped coin purses" specially made for Children's Day on 1 June, for sales promotion. As pop up event is growing in popularity, Kappa Kids jointly organized such events with BTV Juvenile Dance Group in Beijing Chongwenmen and Beijing New Yansha Mall, in which the electric atmosphere has significantly increased our brand awareness. Apart from the above, Kappa Kids has sponsored "Super Surprise", a TV programme by Shandong Cable TV, in which all young participants were in Kappa Kids' products, boosting the exposure of Kappa brand.

Japan — Kappa brand

In the first half of 2017, Kappa Japan launched a series of brand promotion activities for target customers for the purpose of brand appeal amid the frenzy of the 100th anniversary of Kappa, resulting in stronger brand connotation and more profound understanding of the Kappa brand on the part of consumers.

To further expand the influence of the Kappa brand on consumers' behaviour, the Group has diversified promotion efforts on the Kappa brand in a bid to enhance brand exposure. For offline marketing, Kappa Golf has rolled out festive sales promotion activities to draw consumers' attention. Continually, our branded products has been promoted through, among others, in-store point of purchase (POP) advertisements. In May 2017, the Group organized the "Kappa Thanks Match" event in Chiba, Japan, the hometown of Jeff United, a Kappa-sponsored football club, enhancing the interaction between the brand and consumers as well as further instilling brand preference in consumers.

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1, 2, 3. Kappa Kids has sponsored "Super Surprise", a TV programme by Shandong Cable TV

5. Kappa Kids store

4, 6. Kappa Kids has sponsored BTV Juvenile Dance Group


phenix

In connection with media marketing, the Group continued to advertise its products through magazines, online and social networking platform advertisements and articles on matching ideas of our new mainstay arrivals were published in well known magazines, such as "EVEN Magazine", to highlight Kappa's unique brand tone. In the meantime, free magazines were placed in stores for marketing purposes in order to enhance the Group's brand awareness.

Japan — PHENIX brand

In the first half of 2017, PHENIX SKI continued its multi-channel marketing strategy to promote the connotation of PHENIX brand, namely high quality and functional excellence. PHENIX brand unceasingly worked with Japan National Ski Team to make a statement to consumers that "PHENIX is the sportswear brand for elite athletes", and enhanced brand promotion through media coverage of the athletes. In addition, PHENIX SKI organized a number of tradeshows for new products and promoted the brand through a series of online advertising campaign during the first half of 2017, attracting over 6,000 participants. In connection with media marketing, PHENIX SKI sponsored the "Reverse", one of the most watched TV series in Japan, significantly increased the awareness of PHENIX brand.

Brand promotion for PHENIX OUTDOOR has successfully combined functionality with "fashion", thanks to the relevant promotion activities held in the first half of 2017. Fashion brochure and LOOKBOOK have been simultaneously released through a number of platforms, such as social networking platforms, e-commerce websites and in-store POP displays, to increase exposure to consumers. In the first half of 2017, the media marketing for the brand received positive impacts with advertising placement on magazines, websites and TV. Also, brand affinity with stylish culture has been emphasized through artist endorsements and Instagram, a well-known social networking site, shaping the perception of the brand personality in consumers' mind.

Product Design and Research and Development

Apparel Series

A.FOUR LABS meets POSH ISOLATION for KAPPA Series

The tripartite cooperation for A.FOUR LABS meets POSH ISOLATION for KAPPA series was ignited in a casual chat between Kazuki Kuraishi and Loke Rahbek, the founder of the music label POSH ISOLATION, "Let us design fashion together!" The two parties together with Kappa have created a cross-border combination covering sports, music and arts as well as aesthetics. The series is designed on the basis of the unique fashion concept of Kazuki Kuraishi and the concept of patterns provided by Loke Rahbek, it includes a number of fashion items, such as spiral-pattern neckband T-shirt, hoodies and sports shoes, demonstrating Kappa's charisma and unique attitude towards fashion to trend lovers.

BANDA Series

As the most classic series in the history of Kappa brand, BANDA has played the role of trend leader under the Kappa brand, and BANDA is the must-have classic items in the wardrobe of trend lovers. The BANDA Spring 2017 series features patchwork designs with enhanced diversified products, delivering alternative retro fashion styles. Meanwhile, leading techniques and cutting methods have been applied to the products under the entire series, amusing the aesthetic perception of trend lovers while maintaining the classic and vintage sensation of the BANDA series. Under the direction of the concept of #PEOPLE ON THE MOVE#, further improved fabric has been selected for the new arrivals of the BANDA series, ensuring products are wrinkle-resistant as well as more comfortable to wear.

KOMBAT Series

The brand new products under KOMBAT series honour its high-quality tradition and its distinguished design, improvement has been made in a number of aspects, such as cutting. "UNCROWNED CHAMPION", "EURO" and "ITA" are printed on the products for saluting historic moments and displaying the elegance of "uncrowned champion". Additionally, new colours, blue for example, are used in design to follow current fashion trends. More feminine elements are infused into KOMBAT products for women, allowing users to adapt a trendy sports lifestyle, while producing unique feminine glamour with a touch of sexiness.

Kappa x PAC-MAN Series

In 2017, Kappa conducted cross-border cooperation with PAC-MAN, a well-known video game, to launch a series of full-of-fun chic products. PAC-MAN, the main character in the game, has to move forward, backward, turn left or right in the maze to avoid being eaten by its four enemies, while eating PAC-DOTs as many as possible, and the enemies have to move ceaselessly to stop PAC-MAN. There is a common rule for both PAC-MAN and the enemies, i.e. YOU GONNA NEVER STOP, stop means failure. The ceaseless movement is coincidentally on the same spirit of #PEOPLE ON THE MOVE# advocated by Kappa, such cooperation sparks off a "never stop pursuing the best" spirit of trend lovers, surprising the supporters of PAC-MAN.

WMNS women's Series

Kappa launched WMNS, a new women's series, in 2017, WMNS products unprecedentedly have strong feminine details with genetic inheritance of sports, such as slim fit design, A-shaped silhouette, layers and paneled style with exquisite sensibility, creating a brand new sportswear series with elegant simplicity, and fully illustrating the attitude of confident and health-conscious women to life. As the brand's first sportswear series distinctively for women, WMNS women's series reflects inspirations and aspirations, offering users an excellent experience with comfort, while showing unique female beauty of movement.

Pants Series

The seasonal Kappa pants series features mainly the KOMBAT pants, created originally for professional football training purposes in line with the traditional competitive spirit of the label. To tailor to the body build of Asians, Kappa has produced pants in several refined categories, including sexy, sporty, regular fit and comfort types, based on extensive research and analysis of the leg features, hip measurements and length of pants for Asians. The Kombat pants are well suited to sporting purposes while providing a ready match for any casual wear. With the findings of a thorough study on the users, trials and researches on fabric development and application for pants series have been conducted with an aim to enhance functionality and value of the product, and to provide optimal comfort for consumers whilst increasing practicality of the product. Designed to offer maximum fitting qualities, Kappa pants series have met the needs of all groups.

Shoes Series

For the Spring/Summer Shoes Collection 2017 by Kappa, strategic adjustment in categories and transformation in product design and style have been made along with a new and fast changing trends in sports shoes market for creating the appeal of a fashionable sportswear brand. This season, injection blown rubber (IBR), a new material, has been used for shoe sole to ensure better comfort and abrasion resistance. Modern shoe-making technologies, such as integrated knit and vacuum forming, have been employed for shoe upper. In addition, Kappa has endeavoured to launch new designs of shoes in cosmopolitan style by combining international resources to introduce unique European shoe last. For summer collection, we have stepped up our efforts on development of lightweight breathable shoes to satisfy a growing demand with positive market response. In 2017, Kappa will offer more upscale shoes products with competitive advantages to consumers.

Accessories Series

Kappa's interpretation of the spirit of passionate, rebellious and outgoing and its constant innovations and upgrades in craftsmanship and technologies have also been vigorously reflected in its accessories. In 2017, Kappa introduced a waterproof rucksack as a cue to encourage healthy work-life balance by getting people to do more exercise. Fashion-forward ways to wear baseball cap and stylish small backpack designed exclusively for girls have grown immensely in popularity. Meanwhile, the classical designs of our bags and caps have been upgraded to turn elementary products into popular items of fashion. In addition, the 100% cotton socks with unique odor-free features made possible by advanced technologies afford additional comfort as daily wear. In 2017, efforts have been made to bring our accessories into greater visual accord with our apparel and footwear series, in order to provide consumers with more matching options in overall style creation.

Upgrading our retail network

During the period under review, the Group continued to optimize its retail network and enhance store efficiency while assessing and making necessary adjustments to its store network under its brand-oriented business model. As at 30 June 2017, the Group had a total of 1,639 Kappa stores (including 328 Kappa Kid's stores), representing a net increase of 76 stores as compared to the end of last year (a net increase of 10 Kappa stores and a net increase of 66 Kappa Kid's stores). A total of 548 retail stores out of 1,639 were operated by our subsidiaries, in further consolidation of the position and influence of self-owned operations. For the first half of 2017, the sales network formed by Kappa retail stores covered all major provincial capitals and other major large cities and towns in China.

On the e-commerce front, in addition to active participation of promotion events organised by well-known e-commerce platform to attract new customers, the Group, in the first half of 2017, cooperated with well-known video games IP, such as PAC-MAN, to launch the sales of Kappa x PAC-MAN series products solely on e-commerce platform, resulting in a better sales performance. E-commerce sales for the six months ended 30 June 2017 surged by 25% (e-commerce sales of kids wear excluded).

Management Discussion and Analysis

Increasing the contributions of Group projects

In the first half of 2017, the Group maintained the dual-engine business model dominated by sportswear and complemented by investment projects as long as a stable development of its principal operations was sustained. The investment projects generated sound earnings for the Group under stringent risk control. Diversified investments, prudent risk control and effective investment planning and distribution were some of features of the work of our Investment and Fund Management Department, which was focused on achieving a balance between the security of funds and reasonable returns. In future, the Group will generate long-term, sustainable returns for shareholders by seriously identifying and considering investment projects with its forward thinking as well as cautiously participating into projects with potentials for long-term growth.

OUTLOOK

In the first half of 2017, risks and uncertainties remained in the course of slow recovery of the global economy. The sportswear industry has been rebounding after hitting the bottom despite constant pressure from economic downside. China Dongxiang has always maintained its solid position in the changing sportswear industry and sustained strong shareholders' return, thanks to its effective business model, its unique brand character and its low-risk investment business.

In the second half of 2017, the Company will continue to focus on the upgrade of brand value, product innovation by proper resource utilization, expansion of marketing channels and exploration of new breakthroughs in business to grasp opportunities in the sportswear industry for further business development.

Time flies. We have already passed the halfway point of the year. China Dongxiang, as always, moves steadily forward step by step amidst fast-changing market conditions. We grapple with challenges by asking for change, being aggressive and innovative as well as keeping our mind focused. Looking ahead, we will continue to enhance our enterprise value with the centennial heritage of Kappa's brand philosophy, jointly starting a new chapter in the development of the Group. As we express our gratitude for shareholders and friends of China Dongxiang who have stood by us through thick and thin, let us at China Dongxiang explore greater territory for development with a fighting spirit, to bring high reward as a token of appreciation to each of our shareholders for their support.

FINANCIAL REVIEW

The sales for the first half of 2017 of the Group was RMB626 million, decreased by 3.7% as compared to RMB650 million for the first half of 2016. Profit attributable to equity holders for the first half of 2017 was RMB536 million, increased by 11.9% as compared to RMB479 million for the first half of 2016.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Six months ended 30 June						
	2017			2016			
	RMB million	% of product/ brand mix	% of Group sales	RMB million	% of product/ brand mix	% of Group sales	Change
CHINA SEGMENT							
Kappa Brand							
Apparel	**328**	**70.4%**	**52.4%**	325	70.1%	50.0%	0.9%
Footwear	**128**	**27.5%**	**20.4%**	125	26.9%	19.2%	2.4%
Accessories	**10**	**2.1%**	**1.6%**	14	3.0%	2.2%	–28.6%
Kappa Brand total	**466**	**100.0%**	**74.4%**	464	100.0%	71.4%	0.4%
Kids business	**42**		**6.7%**	33		5.1%	27.3%
International business and others	**10**		**1.6%**	9		1.4%	11.1%
CHINA SEGMENT TOTAL	**518**		**82.7%**	506		77.9%	2.4%
Japan SEGMENT							
Phenix Brand	**40**	**37.0%**	**6.4%**	56	38.9%	8.6%	–28.6%
Kappa Brand	**68**	**63.0%**	**10.9%**	88	61.1%	13.5%	–22.7%
JAPAN SEGMENT TOTAL	**108**	**100.0%**	**17.3%**	144	100.0%	22.1%	–25.0%
THE GROUP TOTAL	**626**		**100.0%**	650		100.0%	–3.7%

China Segment

Total sales of the Kappa brand business, the core business of the Group, in the first half of 2017 slightly increased by RMB2 million to RMB466 million as compared to that in the first half of 2016. The sales of kids business unit in the first half of 2017 increased by RMB9 million to RMB42 million as compared to that in the first half of 2016.

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 enhance our brand value and consolidate our brand influence by continuous refining of our products with a brand-oriented principle, and, on the other hand, continue to optimize and improve the new operation model in control and management, expanding the e-commerce operations so that demands from end customers are better accommodated and satisfied. In addition, the Group has continued to conduct adjustments and restorations to its retail stores. We had a net increase of 10 Kappa stores, representing 1,311 Kappa stores in total as compared to 1,301 stores at the end of 2016. Also, there were 328 Kappa Kid's stores in total in the first half of 2017.

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

	Six months ended 30 June				
	2017		2016		
	Sales RMB million	% of sales of Kappa brand	Sales RMB million	% of sales of Kappa brand	Change
Wholesale	**230**	**49.4%**	245	52.8%	–6.1%
Retail	**236**	**50.6%**	219	47.2%	7.8%
Total of Kappa brand	**466**	**100.0%**	464	100.0%	0.4%

Note: Excluding Kappa Kids business.

Sales of Kappa brand products via wholesale channel in China segment decreased by RMB15 million to RMB230 million in the first half of 2017 from RMB245 million in the first half of 2016, representing 49.4% of the total sales of Kappa brand in China segment in the first half of 2017 as compared to 52.8% in the first half of 2016.

As at 30 June 2017, the number of self-owned retail stores under Kappa brand operated by our subsidiaries in China reached 548. Sales via retail channel increased by RMB17 million to RMB236 million in the first half of 2017 from RMB219 million in the first half of 2016, representing 50.6% of the total sales of Kappa brand in China segment in the first half of 2017 (1H 2016: 47.2%).

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

	Six months ended 30 June					
	2017		2016		Change	
	ASP	Total units sold	ASP	Total units sold	ASP	Total units sold
	RMB	In '000	RMB	In '000		
Apparel	**167**	**1,997**	170	1,969	–1.8%	1.4%
Footwear	**195**	**676**	192	654	1.6%	3.4%

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.

3. Excluding Kappa Kids business.

In the first half of 2017 and 2016, average selling prices per unit for apparel products were RMB167 and RMB170 respectively, and average selling prices per unit for footwear products were RMB195 and RMB192 respectively. In the first half of 2017, average selling price of apparel products recorded a slight decrease and average selling price of footwear recorded a slight increase as compared to that in the first half of 2016, while total units sold for apparel products and footwear products slightly rose by 1.4% and 3.4%, respectively as compared to that of the corresponding period of last year, mainly due to the increase in the proportion of e-commerce operations.

Japan Segment

Sales from Japan Segment in the first half of 2017 decreased by RMB36 million to RMB108 million from RMB144 million in the first half of 2016. The decrease in sales of Japan segment was mainly due to adjustment of product mix and prolonged recession in retail market in Japan.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group decreased by RMB17 million to RMB261 million in the first half of 2017 (1H2016: RMB278 million).

In the first half of 2017, our gross profit before provision for inventories dropped by RMB7 million to RMB365 million (1H2016: RMB372 million). Our overall gross profit margin before provision for inventories in the first half of 2017 increased by 1.1 percentage points to 58.3% from 57.2% in the first half of 2016.

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

	Six months ended 30 June		
	2017	2016	Change
	Gross profit margin	Gross profit margin	% pts
China segment	**62.7%**	63.8%	–1.1
Kappa Brand:			
Apparel	**68.0%**	70.5%	–2.5
Footwear	**56.2%**	56.5%	–0.3
Accessories	**61.2%**	66.1%	–4.9
Kappa Brand overall	**64.6%**	66.6%	–2.0
Kids business	**56.8%**	55.6%	1.2
Japan segment	**37.0%**	34.0%	3.0
Group overall	**58.3%**	57.2%	1.1

* Before provision for inventories

Gross profit margin of Kappa Brand in China segment in the first half of 2017 decreased by 2.0 percentage points to 64.6% from 66.6% in the corresponding period in 2016.

Gross profit margin of Japan segment increased by 3.0 percentage points to 37.0% in the first half of 2017 from 34.0% in the first half of 2016. Such rise was mainly due to products optimisation.

Net gain on financial assets and other investments

Net gain on financial assets and other investments in the first half of 2017 was RMB552 million (1H2016: RMB479 million).

Investment segment

Revenue from investment segment of the Group in the first half of 2017 was RMB552 million (1H2016: RMB479 million), of which gains on disposal of partial available-for-sale financial assets amounting to RMB436 million, interest income from external borrowings to approximately RMB46 million, investment income from financial assets to approximately RMB72 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 2017 was RMB272 million (1H 2016: RMB287 million), constituting 43.5% of the Group's total sales, decrease of 0.7 percentage point as compared with that in the first half of 2016. 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 in the first half of 2017, efficiency of all staff members has increased as compared to the first half of 2016. Our overall staff costs increased by RMB2 million to RMB66 million in the first half of 2017 from RMB64 million in the first half of 2016;

In the first half of 2017, advertising and selling expenses decreased slightly to RMB126 million from RMB127 million in the first half of 2016. The Group optimized Kappa brand promotion events during the period to further consolidate the brand influence;

In the first half of 2017, logistics and transportation fee decreased by RMB3 million to RMB30 million as compared to RMB33 million in the first half of 2016 principally due to further optimization of logistics and transportation procedures during the period;

In the first half of 2017, the Group continued to take a more cautious but effective approach in investment in product development and our design and product development expenses was RMB18 million (1H 2016: RMB19 million).

Operating Profit

In the first half of 2017, operating profit of the Group was RMB627 million (1H 2016: RMB552 million). The operating profit margin was 100.2% in the first half of 2017 (1H 2016: 84.9%).

Finance Revenue, Net

In the first half of 2017, net finance cost of the Group amounted to RMB30 million (1H 2016: net finance revenue of RMB9 million), which consisted of interest income from bank deposit of RMB7 million (1H 2016: RMB5 million), interest expenses for bank loans in the current year RMB5 million (1H 2016: RMB8 million) and net foreign exchange losses of RMB30 million (1H 2016: foreign exchange gains of RMB15 million) in the reporting period.

Taxation

In the first half of 2017, income tax expense of the Group amounted to RMB64 million (1H 2016: RMB87 million). The effective tax rate was 10.7% (1H 2016: 15.5%).

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 2017 was RMB536 million (1H 2016: RMB479 million), and net profit margin of the Group was 85.6% (1H 2016: 73.7%).

Earnings Per Share

The basic and diluted earnings per share were both RMB9.72 cents in the first half of 2017, increased by 12.0% against the basic and diluted earnings per share of RMB8.68 cents in the first half of 2016.

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.

Interim Dividend and Interim Special Dividend

The board of directors of the Company has resolved to declare an interim dividend and interim special dividend of RMB2.90 cents (equivalent to HK3.4011 cents) and RMB20.22 cents (equivalent to HK23.7137 cents) respectively per ordinary share (totaling RMB23.12 cents, equivalent to HK27.1148 cents, per ordinary share) for the first half of 2017, amounting to approximately RMB160 million and approximately RMB1,120 million (totalling approximately RMB1,280 million) respectively.

The interim dividend and interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.85267 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 15 August 2017. The dividends will be paid on or around 11 September 2017 to shareholders whose names appear on the register of members of the Company on 4 September 2017.

Closure of Register of Members for the Entitlement of Interim Dividend and Interim Special Dividend

The Register of Members of the Company will be closed from 31 August 2017 to 4 September 2017 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2017 interim dividend and interim special dividend. In order to qualify for the 2017 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 for registration no later than 4:30 p.m. on 30 August 2017.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days in the first half of 2017 and the first half of 2016 were 49 days and 59 days. Decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable.

Average trade payable turnover days in the first half of 2017 and the first half of 2016 were 94 days and 80 days, respectively.

Average inventory turnover days in the first half of 2017 and the first half of 2016 were 165 days and 137 days respectively, the increase in the average inventory turnover days was mainly due to an increase in average inventory balance.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 111 days and 155 days, respectively in the first half of 2017 as compared to 129 days and 168 days, respectively in the first half of 2016. Average inventory turnover days were 172 days in the first half of 2017 as compared to 170 days in the first half of 2016.

Liquidity and financial resources

As at 30 June 2017, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB2,363 million, an increase of RMB145 million as compared to a balance of RMB2,218 million as at 31 December 2016. This increase was mainly due to:

1) payment of 2016 final dividend and final special dividend for an aggregate amount of equivalent to approximately RMB234 million;

2) net cash outflows from operating activities of approximately RMB7 million;

3) cash outflows from repayment of bank borrowings of an amount of RMB227 million;

4) investment in available-for-sale financial assets of approximately RMB529 million with cash inflow from gains allocated from available-for-sale financial assets of approximately RMB26 million and cash inflow from partial disposal of available-for-sale financial assets of approximately RMB912 million;

5) investment in other financial assets of approximately RMB1,254 million with cash inflow from gains allocated from other financial assets of RMB74 million and cash inflow from partial disposal of other financial assets of approximately RMB1,471 million;

6) Others of an aggregate outflows amount of RMB87 million.

As at 30 June 2017, net assets attributable to our equity holders was RMB10,358 million (31 December 2016: RMB9,658 million). The Group's current assets exceeded current liabilities by RMB4,304 million (31 December 2016: RMB4,378 million). The Group also had a very strong liquidity position. The current ratio as of 30 June 2017 was 5.2 times (31 December 2016: 4.2 times).

Investments in available-for-sale financial assets

As at 30 June 2017, our balance of investments in available-for-sale financial assets was approximately RMB5,150 million, representing an increase of RMB444 million as compared with the balance of RMB4,706 million as at 31 December 2016. Such increase was mainly due to additional investments.

Pledge of assets

As at 30 June 2017, the Group had approximately RMB391 million (31 December 2016: RMB397 million) in banks as guarantee deposit for the issue of letters of credit and loans.

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 USD30 million. As at 30 June 2017, the Group paid a capital contribution of USD23 million with remaining balance of USD7 million (equivalent to approximately RMB47 million) as capital commitments.

In March 2016, the Group entered into a limited partnership agreement with Shanghai Yunfeng Xincheng Investment Centre LLP. (上海雲峰新呈投資中心（有限合夥）), pursuant to which the Group subscribed a capital contribution of RMB100 million. As at 30 June 2017, the Group paid a capital contribution of RMB66 million with remaining balance of RMB34 million as capital commitments.

In August 2015, the Group entered into a limited partnership agreement with Hongtai Fund, with a total capital commitment of RMB100 million. As at 30 June 2017, the Group paid a capital contribution of RMB60 million with remaining balance of RMB40 million as capital commitments.

In May 2015, the Group entered into a limited partnership agreement with China Momentum Fund, with a total capital commitment of USD10 million. As at 30 June 2017, the Group paid a capital contribution of USD7 million with remaining balance of USD3 million (equivalent to approximately RMB21 million) as capital commitments.

In April 2015, the Group entered into a limited partnership agreement with 7 Seas Venture Capital L.P., with a total capital commitment of USD5 million. As at 30 June 2017, the Group paid a capital contribution of USD3 million with remaining balance of USD2 million (equivalent to approximately RMB14 million) as capital commitments.

In August 2016, the Group entered into a limited partnership agreement with Beijing Sequoia Yade Investment Centre LLP. (北京紅杉亞德股權投資中心（有限合夥）), with a total capital commitment of RMB50 million. As at 30 June 2017, the Group paid a capital contribution of RMB38 million with remaining balance of RMB12 million as capital commitments.

In August 2016, the Group entered into a limited partnership agreement with CDB Boyu II (Shanghai) Investment LLP. (國開博裕二期（上海）股權投資合夥企業（有限合夥）), with a total capital commitment of RMB50 million. As at 30 June 2017, the Group paid a capital contribution of RMB49 million with remaining balance of RMB1 million as capital commitments.

In June 2017, the Group entered into a limited partnership agreement with Shanghai Xianghe Chongyuan Equity Investment Fund Partnership (Limited Partnership) (上海祥禾涌原股權投資合夥企業（有限合夥）), with a total capital commitment of RMB20 million. As at 30 June 2017, the Group paid a capital contribution of RMB8 million with remaining balance of RMB12 million as capital commitments.

Management Discussion and Analysis

Foreign Exchange Risk

The functional currency of the Company is US Dollars owing to the fact that its business is transacted in US Dollars. During the Global Offering in October 2007, the Company received its proceeds in HK Dollars. The proceeds were either deposited in bank accounts denominated in HK Dollars or converted into US Dollars and deposited in bank accounts denominated in US Dollars. As a result, the exchange differences arising from appreciation or depreciation of the US Dollars against the Company's HK Dollars bank deposits, were recognised as exchange gains or losses in the Company's income statement. The exchange gains or losses were not significant because HK Dollars are pegged to US Dollars. The Company's financial statements expressed in US Dollars were translated into Renminbi for the Group's reporting and consolidation purposes. The foreign exchange differences from the translation of financial statements are not recognised in the income statement. Instead, it should be recognised as a separate component of equity of the Group.

The major operations of the Group were mainly carried out in the PRC and transacted in Renminbi. Except for foreign exchanges losses (gains) for the period under review mainly derived from our unutilised capital in foreign currencies in the PRC, the exchange rate risk of the Group was insignificant.

Significant investments and acquisitions

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the six months ended 30 June 2017.

1. SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") on 12 September 2007 for the purpose of providing an incentive for employees and persons contributing to the Company to work with commitment towards enhancing the value of the Company and the shares for the benefit of the Shareholders of the Company and to retain and attract calibres and working partners whose contribution are or may be beneficial to the growth and development of the Company and its subsidiaries.

The Board may from time to time grant options to any individual who is an employee of the Group (including executive Directors) or any entity in which the Company holds any equity interest and such other persons who have contributed or will contribute to the Company as approved by the Board from time to time on the basis of their contribution to the development and growth of the Group ("Grantee").

The Share Option Scheme was adopted on 12 September 2007. Unless otherwise terminated or amended, the Share Option Scheme will remain in force for a period of 10 years starting from the date of listing of the Company on 10 October 2007.

Participants of the Share Option Scheme are required to pay HKD1.00 for each option granted upon acceptance of the grant. The exercise price of the options is determined by the Board in its sole and absolute discretion and being at least the highest of:

(i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date;

(ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the shares.

Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period exceeding 1% of the total shares then in issue.

The maximum limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other option schemes of the Company must not exceed 30% of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other option schemes of the Company shall not in aggregate exceed 10% of total number of issued shares as of the Listing Date which is 550,000,000 shares, representing 9.93% of the issued share capital of the Company as at the date of this report.

The Company may renew this limit at any time, subject to Shareholders' approval provided that the total number of shares in respect of which may be granted under the Share Option Scheme and any option schemes of the Company under the Scheme Mandate as renewed must not exceed 10% of the total number of shares in issue as of the date of Shareholders' approval.

For the six months ended 30 June 2017, there were no share options granted, exercised, lapsed or cancelled and there was no other share option outstanding under the Share Option Scheme.

2. RESTRICTED SHARE AWARD SCHEME

On 10 December 2010 (the "Adoption Date"), the Board adopted the restricted share award scheme (the "Share Award Scheme") as an incentive to retain and encourage the participants for the continual operation and development of the Group.

Pursuant to the Share Award Scheme, up to 30,000,000 existing shares ("Restricted Shares") may be purchased by BOCI-Prudential Trustee Limited ("Trustee") from the market out of cash contributed by the Group and be held in trust for the relevant selected participants until such shares are vested with the relevant selected participants in accordance with the provisions of the Share Award Scheme (the "Scheme Rules").

An administration committee (comprising the remuneration committee and certain senior management of the Company which shall include the chief executive officer of the Board) (the "Administration Committee") may, subject always to the Scheme Rules, from time to time, determine the number of Restricted Shares to be granted and at its absolute discretion select any selected participant (excluding any excluded employee of the Group as provided under the Scheme Rules) to be a selected participant under the Share Award Scheme.

In addition, the maximum number of Restricted Shares which may be granted to a selected participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company as at 10 December 2010.

The Share Award Scheme is effective from the Adoption Date (i.e. 10 December 2010) and shall continue in full force and effect for a term of 10 years.

A selected participant will be qualified to receive the Restricted Shares which are referable to him after all the qualifying conditions having been fulfilled in accordance with the vesting schedule pursuant to the Scheme Rules. Pursuant to the Scheme Rules, Restricted Shares held by the Trustee which are referable to a selected participant shall not vest in the selected participant if the employment contract of the selected participant has been terminated by the Company or any of its subsidiary because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty etc.

With a view to allow the Board to have more flexibility in the administration of the scheme, the Share Award Scheme had been amended on 6 July 2012 pursuant to which, the grant share under the Share Award Scheme are subject to the vesting schedule or any other date as determined by the Chairman of the Board and the Chief Executive Officer (or any person designated by them).

For the six months ended 30 June 2017, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 June 2017, the number of Restricted Shares granted under the scheme amounted to 7,081,000 Shares, representing approximately 0.125% of the issued Shares as at the Adoption Date.

As at 1 January 2017, the number of restricted shares are 23,050,071 shares. As at 30 June 2017, the number of restricted shares are 23,050,071 shares.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

3. DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 June 2017, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") pursuant to Divisions 7 & 8 Part XV of the SFO, including interests and short positions which the directors and chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to The Model Code for Securities Transactions by directors of Listed Companies ("Model Code") contained in The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") on the Hong Kong Stock Exchange were as follows:

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

Name of Directors	Nature of interest	Number and class of securities: Long position	Short position	Approximate percentage of total issued Shares
Mr. Chen Yihong	Interest of a controlled corporation(1)	2,249,387,000 shares	—	40.63%
Ms. Chen Chen	Interest of a controlled corporation(2)	116,944,100 shares	—	2.112%

Notes:

(1) Mr. Chen Yihong, Harvest Luck Development Limited ("Harvest Luck") and Talent Rainbow Far East Limited ("Talent Rainbow") are deemed to be interested in the Shares held by Poseidon Sports Limited ("Poseidon") by virtue of Harvest Luck and Talent Rainbow being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Poseidon. Harvest Luck is wholly owned and controlled by Mr. Chen Yihong. The entire issued share capital of Talent Rainbow is held by Billion Giant Development Limited ("Billion Giant"). The entire issued share capital of Billion Giant is in turn held by BOS Trust Company (Jersey) Limited as trustee of the Cerises Trust. The Cerises Trust is an irrevocable discretionary trust set up by Mr. Chen Yihong as settlor and BOS Trust Company (Jersey) Limited as trustee on 20 April 2010. The beneficiaries under the Cerises Trust are family members of Mr. Chen Yihong. Mr. Chen Yihong as founder of the Cerises Trust is deemed to be interested in the Shares held by Talent Rainbow under the SFO. On 16 December 2016, the trustee has been changed from BOS Trust Company (Jersey) Limited to BOS Trustee Limited.

(2) Bountiful Talent Ltd is wholly-owned and controlled by Ms. Chen Chen and Ms. Chen Chen is therefore deemed to be interested in the Shares held by Bountiful Talent Ltd.

Save as disclosed above, as at 30 June 2017, none of the directors and chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of substantial shareholders

As at 30 June 2017, other than the interests and short positions as disclosed above, the following persons have interests or short positions in the shares, underlying shares and debentures of the Company which fall to be disclosed to the Company under Divisions 2 & 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under Part XV (s.336) of the SFO, or otherwise known to the directors:

Name of Shareholders	Nature of interest	Number of Shares: Long position	Number of Shares: Short position	Approximate percentage of shareholding
Poseidon Sports Limited	Corporate interest	2,249,387,000	—	40.63%
Talent Rainbow Far East Limited[(1)]	Interest in a controlled corporation	2,249,387,000	—	40.63%
Harvest Luck Development Limited[(1)]	Interest in a controlled corporation	2,249,387,000	—	40.63%
Prime Capital Management Company Limited[(2)]	Investment manager	279,190,706	—	5.04%

Notes:

(1) Mr. Chen Yihong, Harvest Luck Development Limited ("Harvest Luck") and Talent Rainbow Far East Limited ("Talent Rainbow") are deemed to be interested in the Shares held by Poseidon Sports Limited ("Poseidon") by virtue of Harvest Luck and Talent Rainbow being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Poseidon. Harvest Luck is wholly owned and controlled by Mr. Chen Yihong. The entire issued share capital of Talent Rainbow is held by Billion Giant Development Limited ("Billion Giant"). The entire issued share capital of Billion Giant is in turn held by BOS Trust Company (Jersey) Limited as trustee of the Cerises Trust. The Cerises Trust is an irrevocable discretionary trust set up by Mr. Chen Yihong as settlor and BOS Trust Company (Jersey) Limited as trustee on 20 April 2010. The beneficiaries under the Cerises Trust are family members of Mr. Chen Yihong. Mr. Chen Yihong as founder of the Cerises Trust is deemed to be interested in the Shares held by Talent Rainbow under the SFO. On 16 December 2016, the trustee has been changed from BOS Trust Company (Jersey) Limited to BOS Trustee Limited.

(2) As stated in the form of disclosure of shareholder's interests submitted by Prime Capital Management Company Limited on 15 December 2014 (the date of the relevant event set out in the form was 10 December 2014), these Shares were held by Prime Capital Management Company Limited and/or its affiliates.

Save as disclosed above, as at 30 June 2017, the directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

4. 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 for the following deviations:

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

(ii) Provision E.1.2 of the CG Code provides that the chairman of the board should attend the annual general meeting. Provision A.6.7 of the CG Code also provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yihong (chairman and chief executive officer), Dr. Xiang Bing (independent non-executive director) and Dr. Chen Guogang (Independent non-executive director) could not attend the annual general meeting of the Company held on 10 May 2017 due to important business appointments. However, the other executive director and independent non-executive director had attended the annual general meeting to ensure effective communication with the shareholders of the Company.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2016.

5. CHANGES IN DIRECTORSHIP

Dr. Chen Guogang ("Dr. Chen"), an independent non-executive Director of the Company, has been appointed as an executive director and the first vice chairman of China Minsheng Financial Holding Corporation Limited (中國民生金融控股有限公司) (a company listed on the Hong Kong Stock Exchange, stock code: 0245) with effect from 11 January 2017, as well as the chief executive officer of said company with effect from 8 May 2017. In addition, Dr. Chen is also the executive director of China Minsheng Asia Asset Management Co., Ltd (中民投亞洲資產管理有限公司) since 2016. Dr. Chen resigned as chairman of the board of directors of CMI Capital Company Limited with effect from 23 June 2017.

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

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

7. AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive directors, has reviewed the interim financial information, financial reporting system and internal control of the Company, including the interim results for the six months ended 30 June 2017.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2017 of the Group has also been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose review report is included in the interim report to be sent to shareholders.

8. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Report on Review of Interim Financial Information

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CHINA DONGXIANG (GROUP) CO., LTD.
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 72, which comprises the interim condensed consolidated balance sheet of China Dongxiang (Group) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2017 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16 August 2017

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Revenue	6	**626,334**	650,331
Cost of sales	10	**(261,693)**	(277,886)
Provision for impairment of inventories	10	**(23,099)**	(18,742)
Gross profit		**341,542**	353,703
Net gain/(loss) on financial assets at fair value through profit or loss	7	**22,428**	(86,152)
Net gain on other investments	8	**529,544**	564,843
Distribution costs	10	**(217,130)**	(240,546)
Administrative expenses	10	**(54,526)**	(46,608)
Other gain	9	**5,264**	6,736
Operating profit		**627,122**	551,976
Finance income	11	**7,457**	19,587
Finance cost	11	**(36,985)**	(10,545)
Share of post-tax (losses)/profits of joint ventures and associates	18	**(1,049)**	1,993
Profit before income tax		**596,545**	563,011
Income tax expense	12	**(63,852)**	(86,714)
Profit for the period		**532,693**	476,297
Profit attributable to:			
— Owners of the Company		**536,015**	478,763
— Non-controlling interests		**(3,322)**	(2,466)
		532,693	476,297
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
— Basic and diluted earnings per share	13	**9.72**	8.68

The notes on pages 37 to 72 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Profit for the period		**532,693**	476,297
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss			
— Fair value change on available-for-sale financial assets, net of tax	25	**459,553**	(386,403)
— Currency translation differences	25	**(60,939)**	95,424
Total items that may be reclassified subsequently to profit or loss		**398,614**	(290,979)
Other comprehensive income/(loss), net of tax		**398,614**	(290,979)
Total comprehensive income for the period		**931,307**	185,318
Total comprehensive income for the period attributable to:			
— Owners of the Company		**934,629**	187,784
— Non-controlling interests		**(3,322)**	(2,466)
		931,307	185,318

The notes on pages 37 to 72 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**75,619**	68,666
Lease prepayments	16	**11,009**	11,151
Intangible assets	17	**227,354**	229,135
Investments accounted for using the equity method	18	**134,820**	137,299
Available-for-sale financial assets	19	**4,994,672**	4,516,210
Financial assets at fair value through profit or loss	20	**124,447**	72,138
Deferred income tax assets		**104,459**	69,337
Prepayments, deposits and other receivables	22	**531,333**	311,252
Total non-current assets		**6,203,713**	5,415,188
Current assets			
Inventories		**270,241**	255,100
Trade receivables	21	**171,379**	243,690
Prepayments, deposits and other receivables	22	**2,018,698**	2,402,757
Available-for-sale financial assets	19	**155,422**	189,400
Financial assets at fair value through profit or loss	20	**347,562**	421,438
Restricted cash	23	**390,852**	397,492
Term deposits with initial terms over three months and within one year	23	**103,950**	106,798
Cash and bank balances	23	**1,867,816**	1,713,464
Total current assets		**5,325,920**	5,730,139
Total assets		**11,529,633**	11,145,327
EQUITY			
Equity attributable to owners of the Company			
Share capital	24	**53,589**	53,589
Share premium	24	**659,018**	659,018
Reserves	25	**9,645,087**	8,944,902
		10,357,694	9,657,509
Non-controlling interests		**13,691**	17,013
Total equity		**10,371,385**	9,674,522

Interim condensed consolidated balance sheet

As at 30 June 2017

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	26	**136,319**	118,769
		136,319	118,769
Current liabilities			
Derivative	27	**142,670**	118,206
Borrowings	28	**524,096**	750,786
Trade payables		**119,895**	163,519
Accruals and other payables		**144,021**	220,975
Provisions		**15,490**	20,500
Current income tax liabilities		**75,757**	78,050
		1,021,929	1,352,036
Total liabilities		**1,158,248**	1,470,805
Total equity and liabilities		**11,529,633**	11,145,327

The notes on pages 37 to 72 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

		Unaudited						
		Attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		**53,589**	**659,018**	**1,445,854**	**7,499,048**	**9,657,509**	**17,013**	**9,674,522**
Comprehensive income								
Profit for the period		**—**	**—**	**—**	**536,015**	**536,015**	**(3,322)**	**532,693**
Other comprehensive income								
Fair value change on available-for-sale financial assets		**—**	**—**	**459,553**	**—**	**459,553**	**—**	**459,553**
Disposal of a subsidiary		**—**	**—**	**(630)**	**630**	**—**	**—**	**—**
Currency translation differences		**—**	**—**	**(60,939)**	**—**	**(60,939)**	**—**	**(60,939)**
Total other comprehensive income, net of tax		**—**	**—**	**397,984**	**630**	**398,614**	**—**	**398,614**
Total comprehensive income		**—**	**—**	**397,984**	**536,645**	**934,629**	**(3,322)**	**931,307**
Transactions with owners								
Dividends relating to 2016 declared and paid in the current period	25	**—**	**—**	**954**	**(235,398)**	**(234,444)**	**—**	**(234,444)**
Total contributions by and distributions to owners of the Company		**—**	**—**	**954**	**(235,398)**	**(234,444)**	**—**	**(234,444)**
Total transactions with owners		**—**	**—**	**954**	**(235,398)**	**(234,444)**	**—**	**(234,444)**
Balance at 30 June 2017		**53,589**	**659,018**	**1,844,792**	**7,800,295**	**10,357,694**	**13,691**	**10,371,385**
Balance at 1 January 2016		53,589	940,705	1,603,318	6,933,494	9,531,106	17,584	9,548,690
Comprehensive income								
Profit for the period		—	—	—	478,763	478,763	(2,466)	476,297
Other comprehensive income								
Fair value change on available-for-sale financial assets		—	—	(386,403)	—	(386,403)	—	(386,403)
Currency translation differences		—	—	95,424	—	95,424	—	95,424
Total other comprehensive income, net of tax		—	—	(290,979)	—	(290,979)	—	(290,979)
Total comprehensive income		—	—	(290,979)	478,763	187,784	(2,466)	185,318
Transactions with owners								
Dividends relating to 2015 declared and paid in the current period	25	—	(281,687)	1,191	—	(280,496)	—	(280,496)
Shares vested under Restricted Share Award Scheme		—	—	447	—	447	—	447
Total contributions by and distributions to owners of the Company		—	(281,687)	1,638	—	(280,049)	—	(280,049)
Appropriation of statutory reserves		—	—	—	—	—	—	—
Total transactions with owners		—	(281,687)	1,638	—	(280,049)	—	(280,049)
Balance at 30 June 2016		53,589	659,018	1,313,977	7,412,257	9,438,841	15,118	9,453,959

The notes on pages 37 to 72 form an integral part of this condensed consolidated interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

		Unaudited Six months ended 30 June	
	Note	**2017 RMB'000**	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations		**38,575**	77,583
Interest received		**2,960**	1,751
Income tax paid		**(48,249)**	(121,101)
Cash outflows from operating activities — net		**(6,714)**	(41,767)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(12,516)**	(2,457)
Purchase of intangible assets	17	**(3,840)**	(874)
Decrease in term deposits with initial terms over three months	23	**2,848**	130,841
Proceeds from disposal of property, plant and equipment and intangible assets		**—**	271
Increase in investments in available-for-sale financial assets	19	**(528,674)**	(1,301,002)
Increase in other financial assets		**(1,253,872)**	(595,864)
Proceeds from disposal of available-for-sale financial assets		**912,266**	718,181
Proceeds from disposal of other financial assets		**1,454,047**	1,432,260
Proceeds from call options and put options		**17,322**	9,891
Dividend received from available-for-sale financial assets		**25,507**	34,875
Dividends and interest received from other financial assets		**74,303**	95,182
Income tax paid related to investment		**(37,782)**	(47,503)
Cash inflows from investing activities — net		**649,609**	473,801
Cash flows from financing activities			
Dividends paid	25	**(233,517)**	(281,687)
Repayment of bank borrowings	28	**(226,690)**	—
Proceeds from bank borrowings	28	**—**	448,631
Interest paid		**(6,547)**	(5,806)
Decrease/(increase) in restricted cash	23	**6,640**	(320,869)
Cash outflows from financing activities — net		**(460,114)**	(159,731)
Net increase in cash and cash equivalents		**182,781**	272,303
Cash and cash equivalents at the beginning of the period	23	**1,713,464**	909,865
Exchange (losses)/gains on cash and cash equivalents		**(28,429)**	14,842
Cash and cash equivalents at the end of the period	23	**1,867,816**	1,197,010

The notes on pages 37 to 72 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2017

1 GENERAL INFORMATION

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

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 ("Hong Kong Stock Exchange") since 10 October 2007.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 16 August 2017.

This condensed consolidated interim financial information has not been audited.

2 BASIC OF PREPARATION

This condensed consolidated interim financial information for the six months period ended 30 June 2017 has been prepared in accordance with International Accounting Standards ("IAS") 34. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to IFRSs effective for the financial year ending 31 December 2017.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group

(i) Amendments to IAS 12, 'Income taxes'

These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

(ii) Amendments to IAS 7, 'Statement of cash flows'

The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

3 ACCOUNTING POLICIES (CONTINUED)

(a) Amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact on the Group (Continued)

(iii) Amendment to IFRS 12, 'Disclosure of interest in other entities'

The amendment is part of the annual improvements to IFRSs 2014-2016 cycle. It clarifies that the disclosure requirement of IFRS 12 is applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12).

(b) Impact of standards issued but not yet applied by the Group

(i) IFRS 9 'Financial instruments'

IFRS 9 'Financial Instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018.

The Group continues to assess the impact that IFRS 9 will have on its classification and measurement of its financial assets, up to now management has identified the following areas are likely to be affected:

- the majority of investments in private equity funds classified as available-for-sale under IAS 39 is expected to be measured at financial assets at fair value through profit or loss;

- impairment provisions may be impacted by the new impairment model. The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts.

The Group is still in process of assessing the classification of the loan receivables on contractual cash flow (solely payment of principal and interest on the principal amount outstanding, SPPI) and business model.

There will be no material impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities and the derivatives that are liabilities held by the Group are also classified as financial liabilities at fair value through profit or loss under the new standard. The derecognition rules have been transferred from IAS 39 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group (Continued)

(ii) IFRS 15 'Revenue from contracts with customers'

The International Accounting Standards Board ("IASB") has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018. The Group will adopt the new standard from 1 January 2018.

The following areas may be affected by the new standard:

- rights of return — IFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation; and

- accounting for costs incurred in fulfilling a contract — certain costs which are currently expensed may need to be recognised as an asset under IFRS 15.

The Group will make more detailed assessments of the impact during the second half of 2017.

(iii) IFRS 16 'Leases'

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB68,972,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

3 ACCOUNTING POLICIES (CONTINUED)

(b) Impact of standards issued but not yet applied by the Group (Continued)

(iii) IFRS 16 'Leases' (Continued)

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

4 ESTIMATES

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2017 and 31 December 2016.

	Unaudited			
At 30 June 2017	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Available-for-sale financial assets (Note 19)	**2,284,074**	**—**	**2,866,020**	**5,150,094**
Financial assets at fair value through profit or loss (Note 20)	**364,462**	**—**	**107,547**	**472,009**
Total Assets	**2,648,536**	**—**	**2,973,567**	**5,622,103**
Liabilities				
Derivatives (Note 27)	**—**	**—**	**(142,670)**	**(142,670)**

	Audited			
At 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (Note 19)	1,986,190	—	2,719,420	4,705,610
Financial assets at fair value through profit or loss (Note 20)	327,165	—	166,411	493,576
Total Assets	2,313,355	—	2,885,831	5,199,186
Liabilities				
Derivatives (Note 27)	—	—	(118,206)	(118,206)

Note:

There were no changes in valuation techniques during the period.

The Group reclassified available-for-sale investments gain of RMB435,689,000 (2016: RMB445,987,000) from other comprehensive income to the interim condensed consolidated statement of profit or loss due to disposal of available-for-sale investments.

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Opening balance at 1 January	**2,885,831**	1,698,932
Currency translation differences	**(10,664)**	8,155
Additions	**528,674**	792,792
Changes in fair value	**(19,232)**	(77,140)
Disposal — cost	**(325,207)**	—
Disposal — fair value change reclassified to the statement of profit or loss	**(85,835)**	—
Closing balance at 30 June	**2,973,567**	2,422,739
Including:		
Unrealised losses for the period included in the statement of profit or loss for assets held at the end of the reporting period	**(8,581)**	(97,910)

Investments classified within level 3 which mainly include private equity investments which have significant unobservable inputs. As observable prices are not available for these investments, the Group has used valuation techniques to derive the fair value.

Total gains recognised in profit or loss in this period are mainly attributable to the disposal of and the dividends from certain available-for-sale financial assets.

5.5 Group's valuation processes

The Group's finance department performs the valuations of financial assets required for financial reporting purposes, including level 3 fair value. They report directly to the chief investment controller ("CIO") and the audit committee ("AC"). Discussions of valuation processes and results are held between the CIO, AC and the finance department at least half a year, in line with the Group's reporting dates.

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

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

- Trade and other receivables
- Cash and bank balances
- Trade and other payables
- Borrowings
- Other financial assets — loans and receivables, treasury products issued by commercial banks

6 SEGMENT INFORMATION

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

The Board of Directors 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 and assesses the performance of the investment activities and sportswear business separately, and sportswear business were assessed from a geographic perspective, including China (Mainland of the PRC) and Japan segments as follows:

- China Apparel: includes distribution and retail of sport apparel under Kappa brand and other brands and international business which includes the provision of Kappa brand products in other countries.
- Japan Apparel: 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.

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 statement of profit or loss.

6 SEGMENT INFORMATION (CONTINUED)

The segment results and other income statement items provided to the chief operating decision maker for the reportable segments for the six months period ended 30 June 2017 and 2016, respectively 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 2017					
Total revenue before inter-segment elimination	519,598	109,757	—	—	629,355
Inter-segment revenue	(1,946)	(1,075)	—	—	(3,021)
Revenue from external customers	517,652	108,682	—	—	626,334
Cost of goods sold	(193,025)	(68,668)	—	—	(261,693)
Provision for impairment losses of inventories	(12,574)	(10,525)	—	—	(23,099)
Segment gross profit	312,053	29,489	—	—	341,542
Net gain on financial assets at fair value through profit or loss	—	—	22,428	—	22,428
Net gain on other investments	—	—	529,544	—	529,544
Other gains, net	3,529	1,735	—	—	5,264
Segment operating profit/(loss)	133,771	(33,037)	544,837	(18,449)	627,122
Finance income	4,697	6	—	2,754	7,457
Finance cost	(31,079)	(39)	—	(5,867)	(36,985)
Share of profit/(loss) of joint ventures and associates	1,353	(784)	(1,618)	—	(1,049)
Profit/(loss) before income tax	108,742	(33,854)	543,219	(21,562)	596,545
Income tax expense	(33,756)	(454)	(29,642)	—	(63,852)
Profit/(loss) for the period	74,986	(34,308)	513,577	(21,562)	532,693
Material items of income and expense					
Depreciation and amortisation	9,659	2,034	—	—	11,693
Changes in impairment losses of trade and other receivables	(19,875)	(3,401)	—	—	(23,276)
Advertising and selling expenses	107,470	18,676	—	—	126,146

6 SEGMENT INFORMATION (CONTINUED)

	Unaudited				
	China-Apparel RMB'000	Japan-Apparel RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
Six months ended 30 June 2016					
Total revenue before inter-segment elimination	513,152	148,468	—	—	661,620
Inter-segment revenue	(6,652)	(4,637)	—	—	(11,289)
Revenue from external customers	506,500	143,831	—	—	650,331
Cost of goods sold	(183,380)	(94,506)	—	—	(277,886)
Provision for impairment losses of inventories	(8,044)	(10,698)	—	—	(18,742)
Segment gross profit	315,076	38,627	—	—	353,703
Net gain on financial assets at fair value through profit or loss	—	—	(86,152)	—	(86,152)
Net gain on other investments	—	2	564,841	—	564,843
Other gains, net	5,262	1,474	—	—	6,736
Segment operating profit/(loss)	125,756	(27,559)	473,193	(19,414)	551,976
Finance income	9,736	7,871	—	1,980	19,587
Finance cost	(1,114)	(1,138)	(7,460)	(833)	(10,545)
Share of profit/(loss) of joint ventures and associates	2,913	(764)	(156)	—	1,993
Profit/(loss) before income tax	137,291	(21,590)	465,577	(18,267)	563,011
Income tax expense	(58,019)	(344)	(28,351)	—	(86,714)
Profit/(loss) for the period	79,272	(21,934)	437,226	(18,267)	476,297
Material items of income and expense					
Depreciation and amortisation	9,507	2,005	—	—	11,512
Changes in impairment losses of trade and other receivables	(14,243)	(3,217)	—	—	(17,460)
Advertising and selling expenses	109,480	17,910	—	—	127,390

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
China		
— Distribution of Kappa Brand products	**229,947**	245,071
— Retailing of Kappa Brand products	**236,443**	219,240
— Distribution and retailing of children's wear of Kappa Brand products	**41,652**	33,071
— Export sales of Kappa Brand products	**9,610**	9,118
	517,652	506,500
Japan		
— Distribution and retailing of Kappa Brand products	**67,850**	87,639
— Distribution and retailing of Phenix Brand products	**40,832**	56,192
	108,682	143,831
	626,334	650,331

6 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited				
	China-Apparel RMB'000	Japan-Apparel RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
As at 30 June 2017					
Interests in investments accounted for using the equity method	54,718	14,866	65,236	—	134,820
Available-for-sale financial assets	—	—	5,150,094	—	5,150,094
Deferred income tax assets	104,459	—	—	—	104,459
Other assets	3,000,941	253,879	2,866,000	173,285	6,294,105
Total assets before inter-segment elimination	3,160,118	268,745	8,081,330	173,285	11,683,478
Inter-segment elimination	(41,878)	(9,381)	—	(102,586)	(153,845)
Segment assets	3,118,240	259,364	8,081,330	70,699	11,529,633
Deferred income tax liabilities	109,867	3,670	22,782	—	136,319
Current income tax liabilities	75,147	610	—	—	75,757
Other liabilities	228,168	104,979	427,257	283,873	1,044,277
Total liabilities before inter-segment elimination	413,182	109,259	450,039	283,873	1,256,353
Inter-segment elimination	(9,446)	(41,890)	—	(46,769)	(98,105)
Segment liabilities	403,736	67,369	450,039	237,104	1,158,248

6 SEGMENT INFORMATION (CONTINUED)

	Audited				
	China-Apparel RMB'000	Japan-Apparel RMB'000	Investment RMB'000	Unallocated RMB'000	Total RMB'000
As at 31 December 2016					
Interests in investments accounted for using the equity method	53,224	15,650	68,425	—	137,299
Available-for-sale financial assets	—	—	4,705,610	—	4,705,610
Deferred income tax assets	69,337	—	—	—	69,337
Other assets	2,833,050	319,674	3,077,580	163,361	6,393,665
Total assets before inter-segment elimination	2,955,611	335,324	7,851,615	163,361	11,305,911
Inter-segment elimination	(43,712)	(14,661)	—	(102,211)	(160,584)
Segment assets	2,911,899	320,663	7,851,615	61,150	11,145,327
Deferred income tax liabilities	67,962	3,730	47,077	—	118,769
Current income tax liabilities	76,878	1,172	—	—	78,050
Other liabilities	626,255	136,461	570,701	46,373	1,379,790
Total liabilities before inter-segment elimination	771,095	141,363	617,778	46,373	1,576,609
Inter-segment elimination	(15,107)	(44,324)	—	(46,373)	(105,804)
Segment liabilities	755,988	97,039	617,778	—	1,470,805

7 NET GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Gain on disposal of listed stocks	**18,598**	3,494
Dividends income	**5,955**	2,163
Fair value changes	**(2,125)**	(91,809)
	22,428	(86,152)

8 NET GAIN ON OTHER INVESTMENTS

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Gain on disposal of available-for-sale financial assets	**435,689**	445,987
Dividends income	**25,507**	25,530
Interest from loans provided to third parties	**46,084**	39,783
Interest from treasury products issued by commercial banks	**22,264**	53,543
	529,544	564,843

9 OTHER GAIN

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Government subsidy income	**6,284**	4,114
Royalty income	**1,402**	1,229
Other (loss)/gain	**(2,422)**	1,393
	5,264	6,736

10 EXPENSES BY NATURE

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

	Unaudited Six months ended 30 June	
	2017 **RMB'000**	2016 RMB'000
Cost of inventories recognised as cost of goods sold	**261,693**	277,886
Advertising and selling expenses	**126,146**	127,390
Employee salary and benefit expenses	**66,335**	63,879
Logistic cost	**29,668**	33,024
Provision for inventories	**23,099**	18,742
Product design and development expenses	**18,449**	19,415
Operating lease expenses	**12,536**	12,191
Depreciation/amortisation of property, plant and equipment, lease prepayments and intangible assets (Note 15, 16 and 17)	**11,693**	11,512
Legal and consulting fees	**7,739**	2,256
Travelling expenses	**6,183**	8,505
Auditor's remuneration	**1,250**	1,250
Changes of impairment losses of trade and other receivables	**(23,276)**	(17,460)
Others	**14,933**	25,192
Total cost of goods sold, provision for impairment of inventories, distribution costs and administrative expenses	**556,448**	583,782

11 FINANCE INCOME, FINANCE COST

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Finance income:		
— Foreign exchange gain, net	**—**	14,842
— Interest income	**7,457**	4,745
	7,457	19,587
Finance cost:		
— Interest expenses	**(4,970)**	(7,894)
— Foreign exchange losses, net	**(30,310)**	—
— Others	**(1,705)**	(2,651)
	(36,985)	(10,545)
	(29,528)	9,042

12 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	**70,680**	69,333
— Taxation in Japan	**514**	345
Deferred income tax	**(7,342)**	17,036
	63,852	86,714

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total interim earnings. The corporate income tax rate of the Group's subsidiaries incorporated in Mainland of PRC is 25%, except for those incorporated in Tibet, which is 9%.

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 period ended 30 June 2017 (2016: nil).

12 INCOME TAX EXPENSE (CONTINUED)

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 RMB24,784,000 (2016: RMB21,221,000) in relation to the undistributed profit for six months period ended 30 June 2017 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 period ended 30 June 2017 applicable to this subsidiary was 15% for the taxable income part less than JPY8,000,000 and 23.4% for the taxable income part over JPY8,000,000 (2016: 15% and 23.4%) of the assessable profit. The inhabitant tax is determined based on the taxpayer's share capital, operating locations and number of employees and rates on the taxpayer's income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the six months period ended 30 June 2017 (2016: nil), the subsidiary was subject to the minimum inhabitant tax payments.

13 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners 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	
	2017	2016
Profit attributable to owners of the Company (RMB'000)	**536,015**	478,763
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,513,351**	5,513,007
Basic earnings per share (RMB cents per share)	**9.72**	8.68

(b) Diluted

No diluted earnings per share have been presented since there was no potential diluted ordinary share as at 30 June 2017.

14 DIVIDENDS

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Interim dividend of RMB2.90 cents per share (2016: RMB2.59 cents per share)	**160,556**	143,393
Interim special dividend of RMB20.22 cents per share (2016: RMB2.59 cents per share)	**1,119,460**	143,393
	1,280,016	286,786

Pursuant to a resolution passed on 16 August 2017, the board of directors declared an interim dividend and an interim special dividend of RMB2.90 cents and RMB20.22 cents per share, respectively (2016: RMB2.59 cents and RMB2.59 cents per share), totalling RMB23.12 cents, to be distributed from the retained earnings of the Company. The aggregated interim dividend and interim special dividend, amounting to RMB1,280,016,000 (2016:RMB286,786,000) have not been reflected as dividends payable in the condensed consolidated interim financial information. They will be recognised in shareholders' equity in the year ending 31 December 2017.

During the six months ended 30 June 2017, the declared 2016 final dividends of RMB235,398,000 (2016: RMB281,687,000) was paid, including the dividends of RMB954,000 (2016: RMB1,191,000) to the shares held for Restricted Share Award Scheme (Note 25).

15 PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2017	Unaudited RMB'000
Opening amount as at 1 January 2017	**68,666**
Additions	**12,516**
Disposals	**(87)**
Depreciation (Note 10)	**(5,707)**
Exchange difference	**231**
Closing amount as at 30 June 2017	**75,619**

Six months ended 30 June 2016	Unaudited RMB'000
Opening amount as at 1 January 2016	75,402
Additions	2,457
Disposals	(781)
Depreciation (Note 10)	(4,705)
Exchange difference	694
Closing amount as at 30 June 2016	73,067

16 LEASE PREPAYMENTS

Six months ended 30 June 2017	Unaudited RMB'000
Opening amount as at 1 January 2017	**11,151**
Amortisation (Note 10)	**(142)**
Closing amount as at 30 June 2017	**11,009**

Six months ended 30 June 2016	Unaudited RMB'000
Opening amount as at 1 January 2016	11,437
Amortisation (Note 10)	(143)
Closing amount as at 30 June 2016	11,294

17 INTANGIBLE ASSETS

	Unaudited			
	Kappa trademarks	**Phenix and other brands**	**Computer software**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2017				
Opening amount as at 1 January 2017	**218,057**	**7,172**	**3,906**	**229,135**
Additions	**—**	**—**	**3,840**	**3,840**
Exchange difference	**215**	**—**	**8**	**223**
Amortisation (Note 10)	**(3,762)**	**(108)**	**(1,974)**	**(5,844)**
Closing amount as at 30 June 2017	**214,510**	**7,064**	**5,780**	**227,354**
Six months ended 30 June 2016				
Opening amount as at 1 January 2016	224,152	7,387	7,268	238,807
Additions	—	—	874	874
Exchange difference	2,642	214	39	2,895
Amortisation (Note 10)	(3,779)	(323)	(2,562)	(6,664)
Closing amount as at 30 June 2016	223,015	7,278	5,619	235,912

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the balance sheet are as follows:

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Joint ventures (i)	**69,583**	72,368
Associates (ii)	**65,237**	62,996
	134,820	135,364

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(i) Investment in joint ventures

	Unaudited Six months ended 30 June 2017 RMB'000	2016 RMB'000
At 1 January	**68,874**	81,465
Share of profit	**569**	2,149
Net impact of elimination and realisation of unrealised profit	**140**	(11,252)
Exchange difference	**—**	6
	69,583	72,368

Summarised financial information of the Group's material joint ventures:

The Group's share of the results in Mai Sheng Yue He Sporting Goods Co., Ltd. ("MSYH Beijing"), ShanXi Mai Sheng Yue He Sporting Goods Co., Ltd., Shenyang Mai Sheng Yue He Sporting Goods Co., Ltd., Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd., Nanjing Mai Sheng Yue He Sporting Goods Co., Ltd. and Zhejiang Mai Sheng Yue He Sporting Goods Co., Ltd. (collectively "Other Five MSYH Companies") and their aggregated assets and liabilities are shown as below:

	Unaudited		
	MSYH Beijing	Other Five MSYH Companies	Total
	As at and for the six months ended 30 June		
	2017 RMB'000	2017 RMB'000	2017 RMB'000
Assets	285,288	181,755	467,043
Liabilities	(189,717)	(95,402)	(285,119)
Revenues	251,166	120,810	371,976
Share of profit	957	396	1,353
Percentage held	30%	30%	

18 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(ii) Investment in associates

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
At 1 January	**68,425**	63,152
Share of loss	**(1,618)**	(156)
Exchange difference	**(1,570)**	—
	65,237	62,996

Summarised financial information of the Group's material associate:

The Group's share of the results in a material associate Boundary Bay Investment LLC ("BBI LLC") and its aggregated assets and liabilities are shown as below:

	Unaudited Six months ended 30 June 2017 RMB'000
Assets	**294,369**
Liabilities	**(109,553)**
Revenues	**(7,651)**
Share of loss	**(1,475)**
Percentage held	**35%**

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
At 1 January	**4,705,610**	3,911,487
Currency translation differences	**(56,936)**	53,820
Additions	**528,674**	1,381,002
Disposal — cost	**(476,577)**	(272,194)
Disposal — fair value change reclassified to the statement of profit or loss	**(435,689)**	(445,987)
Changes in fair value	**885,012**	58,900
	5,150,094	4,687,028

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

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

Non-current portion:

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Market value of listed securities			
Alibaba Group Holding Limited ("Alibaba")	(a)	**2,284,074**	1,986,190
Unlisted equity securities			
— Panxin (shanghai) Investment Center LP	(b)	**50,590**	—
— Panmao (shanghai) Investment Center LP	(b)	**152,333**	—
— Zhongxin Secondary Market Fund	(b)	**160,440**	—
— Yunfeng Fund RMB II	(c)	**164,328**	324,692
— Tibet Ruixintong Venture Investment Center LP	(d)	**300,103**	300,334
— Hangzhou Yuanxin Dongchao Equity Investment LP	(e)	**263,859**	275,184
— Herun Piloting Jiashi Investment Preferred Cornerstone Investment Fund	(f)	**200,000**	200,000
— CITIC Mezzanine Fund I	(g)	**183,431**	247,667
— Yunfeng Fund USD II	(h)	**189,885**	185,564
— Herun Piloting Jiashi Investment Preferred Phase II Investment No.3 Fund	(i)	**100,000**	—
— Xiaocun Industry Development Private Placement Investment No. 8 Fund	(j)	**76,733**	73,286
— Jiaxing Daotong Chuangzhi Phase I Investment LP	(k)	**74,452**	50,000
— Beijing Sequoia Investment Management Center LP	(l)	**70,440**	70,240
— Yunfeng Fund RMB III	(m)	**68,100**	68,100
— Elite International Investment Fund VII LP	(n)	**66,000**	66,000
— Shenzhen Chishan Evergreen Equity Investment Center LP	(o)	**64,088**	64,088
— Vision Knight Capital (China) Fund	(p)	**64,073**	60,000
— Shenzhen Hongtai Growth Venture Investment Center LP	(q)	**60,000**	30,000
— Tebon Innovation Capital Special Asset Management Plan	(s)	**—**	155,490
— Others	(r)	**401,743**	359,375
		2,710,598	2,530,020
		4,994,672	4,516,210

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Current portion:

	Note	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Unlisted equity securities			
— Tebon Innovation Capital Special Asset Management Plan	(s)	**155,422**	—
— Wing Lung Growth Fund SPC Limited	(t)	**—**	183,896
— Others		**—**	5,504
		155,422	189,400

Notes:

(a) In September 2011, the Group entered into limited partnership agreements with Yunfeng E-Commerce Funds, pursuant to which the Group subscribed for limited partnership interests with a total capital commitment of USD100,000,000 (equivalent to RMB638,080,000 at historical exchange rate), which had been fully paid as at 31 December 2012. Yunfeng E-Commerce Funds were established for the purpose of making investments in Alibaba Group Holding Limited, a leading group focused on the Chinese E-commerce industry. Pursuant to Alibaba's initial public offerings ("IPO") on New York Stock Exchange in September 2014, Yunfeng E-Commerce Funds distributed the shares of Alibaba to its limited partners. Since the Group planned to hold the shares of Alibaba for a long term and strategic purpose, management classified these financial assets as available-for-sale financial assets.

(b) In June 2017, the Group, through an special purpose vehicle of the Group, entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Panxin (shanghai) Investment Center LP., Panmao (shanghai) Investment Center LP. and Zhongxin Secondary Market Fund, which mainly made equity and debt investments in companies of various industries.

(c) In August 2014, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Yunfeng Fund RMB II, which mainly invested in express industry, sports industry, healthcare industry and emerging technologies industry.

(d) In September 2016, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Tibet Ruixintong Venture Investment Center LP, which is a limited partnership established for the purpose of operating personal housing trust loan business in the PRC.

(e) In September 2014, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Hangzhou Yuanxin Dongchao Equity Investment LP, which mainly invested in manufacturing industry in the PRC.

(f) In February 2016, the Group subscribed for fund units of Herun Piloting Jiashi Investment Preferred Cornerstone Investment Fund, which mainly invested in financial services and high-tech industry entities.

(g) In September 2011, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in CITIC Mezzanine Fund I, which is a limited partnership established for the purpose of making equity and debt investments in enterprises mainly operating business in the PRC.

(h) In May 2013, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership in Yunfeng Fund USD II, which invests in listed and unlisted companies, including high-tech industry, financial service industry and manufacturing industry.

(i) In April 2017, the Group subscribed for fund units of Herun Piloting Jiashi Investment Preferred Phase II Investment No.3 Fund, which mainly invests in financial services and high-tech industry entities.

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Notes: (Continued)

(j) In April 2016, the Group subscribed for fund units of Xiaocun Industry Development Private Placement Investment No. 8 Fund ("Xiaocun No.8 Fund"), which invested. in a listed company of glass manufacturing business in the PRC. At the same time, the Group entered into an agreement with ShanShan Holding Co., Ltd. ("ShanShan Holding"), pursuant to which, ShanShan Holding provided guarantee for the Group's principal and fixed return in the investment in Xiaocun No. 8 Fund.

(k) In November 2014, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Jiaxing Daotong Chuangzhi Phase I Investment LP, which mainly invested in high-tech industry.

(l) In December 2014, the Group entered into subscription and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Beijing Sequoia Investment Management Center LP, which mainly invested in energy industry.

(m) In May 2016, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Yunfeng Fund RMB III, which mainly invested in healthcare industry and internet industry.

(n) In July 2016, the Group entered into subscription agreements and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Elite International Investment Fund VII LP, which mainly invested in Atlanta real estate industry in the US.

(o) In May 2016, the Group entered into subscription and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Shenzhen Chishan Evergreen Equity Investment Center LP which invested in a financial service company.

(p) In August 2015, the Group entered into subscription and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Vision Knight Capital (China) Fund, which is mainly focusing on investments in internet industry, E-commerce industry, consumer retailing empowered by internet and E-commerce, and B2B services empowered by information technologies and internet technologies sectors in China.

(q) In October 2015, the Group entered into subscription and limited partnership agreements, pursuant to which the Group subscribed for limited partnership interests in Shenzhen Hongtai Growth Venture Investment Center LP, which is mainly focusing on investments in internet industry, E-commerce industry, entertainment industry, education, environmental protection, health and other fields.

(r) Other equity investments mainly include investments in unlisted investment funds, whose investments are mainly in high-tech industry, finance services industry and manufacturing industry.

(s) In August 2014, the Group participated in an asset management plan of Tebon Innovation Capital which invested in projects of real estate industry. This asset management plan is approaching maturity within one year.

(t) In January 2016, the Group entered into subscription agreements with Wing Lung Growth Fund SPC Limited ("Wing Lung Fund"), which advanced loans to a real estate development company in Sichuan in the PRC. Pursuant to the aforementioned subscription agreements, the Group does not have any voting rights in Wing Lung Fund. The Group requested full redemption of its investment in Wing Lung Fund in December 2016, and received the cash in February 2017.

The valuation techniques of investments mainly include:

- using the Net Asset Valuation Report ("NAV report") of the private equity funds prepared by the management team of these funds when these NAV reports are available;
- applying the price of recent investment method, and the related key assumptions and judgements include the price of the recent investment and changes subsequent to the relevant transaction date;
- applying the discounted cash flow method, and the related key assumptions and judgements include discount rates and expected future cash flows from these investments;
- applying the multiples method, and the key assumptions and judgements include selecting appropriate comparable companies, determining appropriate multiples and discount rate for lack of marketability.

There were no changes in valuation techniques during the reporting period.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current portion (Note (a))	**124,447**	72,138
Current portion (Note (b))	**347,562**	421,438

Notes:

(a) These non-current financial assets include the Group's investments in preferred shares of a company listed on the Mainboard of Hong Kong Stock Exchange and perpetual capital securities issued by a commercial bank which were designated as financial assets at fair value through profit or loss.

(b) The current portion of financial assets at fair value through profit or loss mainly includes investments in shares listed on Nasdaq Stock Market (NASDAQ), New York Stock Exchange (NYSE) and the Main Board of the Hong Kong Stock Exchange, and REITS listed on the Main Board of SGX Securities Trading.

21 TRADE RECEIVABLES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Trade receivables		
— Third parties	**172,314**	255,229
— Related parties (Note 30)	**84,438**	96,863
	256,752	352,092
Less: provision for impairment	**(85,373)**	(108,402)
Trade receivables, net	**171,379**	243,690

21 TRADE RECEIVABLES (CONTINUED)

The Group's sales are mainly made on credit limits and the Group would deny credit sales to customers if the trade receivables of these customers exceeded their credit limits. The ageing analysis of trade receivables based on goods delivery date as at 30 June 2017 and 31 December 2016 was as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Within 30 days	**71,708**	127,133
31 to 120 days	**111,896**	98,931
Over 120 days	**73,148**	126,028
	256,752	352,092

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Current portion:		
Treasury products issued by commercial banks (Note (a))	**437,537**	1,002,194
Loans receivable (Note (b))	**1,467,789**	1,278,773
Amounts due from related parties (Note 30)	**17,460**	21,882
Deposits for operating leases	**13,364**	3,941
Advance payments to suppliers	**21,869**	16,581
Interest receivables	**2,379**	6,018
Other receivables	**58,300**	73,368
	2,018,698	2,402,757
Non-current portion:		
Loans receivable (Note (c))	**493,729**	268,110
Deposits for operating leases	**37,604**	40,642
Amounts due from related parties (Note 30)	**7,515**	10,015
Less: provision for impairment	**(7,515)**	(7,515)
	531,333	311,252

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) The treasury products are unlisted, issued by listed commercial banks in the PRC. The investments are interest bearing at expected rates ranging from 2.2% to 3.4% per annum, denominated in RMB and with maturity periods within one year.

(b) As at 30 June 2017, the current loans receivable held by the Group mainly include:

(i) In April 2015, the Group lent USD10,000,000 (equivalent to RMB67,744,000) to HomeValue Holding Co., Ltd. ("HomeValue"). This loan bears an interest rate of 10% per annum with maturity of 12 months and was extended to April 2017. According to the agreement with HomeValue in April 2017, HomeValue will repay the USD10,000,000 in September 2017.

(ii) In October 2015, the Group lent RMB45,000,000 to Mr. Xia Du with maturity of 24 months and the loan bears an interest rate of 8.5% per annum.

(iii) In June 2016, the Group lent USD30,000,000 (equivalent to RMB203,232,000) to China Yufu Payment Group Co., Ltd. ("Yufu Payment") which bears an interest rate of 6.5% per annum with maturity of 12 months. In June 2017, the Group entered into a supplemental agreement with Yufu Payment, pursuant to which, Yufu Payment will repay an amount of USD20,000,000 in July 2017 and the remaining USD10,000,000 (equivalent to RMB67,744,000) will be extended to June 2018 with the same interest rate of 6.5% per annum. The Group subsequently received the payment of USD20,000,000 on 4 July 2017.

(iv) On 26 August 2016, the Group lent RMB150,000,000 to Yufu Holding Group Co., Ltd., with maturity of 12 months and bears an interest rate of 11% per annum.

(v) In July 2016, the Group lent RMB200,000,000 to Mr. Zhongjun Wang with maturity of 3 months. According to agreements, the maturity of the loan was extended and the loan will be repaid before the end of August 2017. The loan bears an interest rate of 8% per annum.

(vi) In September 2016, the Group lent RMB280,000,000 to Shanghai Yuhong Co., Ltd. with maturity of 12 months, which is interest-free.

(vii) In November 2016, the Group lent RMB300,000,000 to China Yintai Investment Co., Ltd. ("Yintai") with maturity of 12 months and bears an interest rate of 10% per annum. Yintai repaid an amount of RMB200,000,000 to the Group in February 2017 before its maturity.

(viii) On 26 May 2017, the Group lent RMB280,000,000 to Shanghai Zhongzhuoxin Consulting Co., with maturity of 3 months and bears an interest rate of 9% per annum.

(ix) In June 2017, the Group lent RMB100,000,000 to Forchn International Co., Limited with maturity of 2 months and bears an interest rate of 12% per annum. The Group subsequently received the principal and interest on 11 August 2017.

All the above mentioned borrowers are third parties of the Group and the related loans are pledged by the borrowers' owned assets or guaranteed by the borrowers' ultimate controlling shareholders.

(c) The non-current loans receivable held by the Group include:

(i) In December 2016, the Group lent USD30,000,000 (equivalent to RMB203,232,000) to Kupono Partners LLC.("Kupono") with maturity of 4 years and bears an interest rate of 7% per annum. According to the loan's agreement, the maturity of the loan can be extended for another 12 months, during which period the interest rate will be 8% per annum. This loan is guaranteed by Kupono's land use right.

(ii) In June 2017, the Group lent RMB150,000,000 to Shanghai City Co., Ltd.("Shanghai city"), with maturity of 24 months and bears an interest rate of 10% per annum. This loan is guaranteed by the ultimate controlling shareholder and a related party of Shanghai City.

22 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(c) (Continued)

(iii) The Group signed a capital withdrawal agreement with Jiashi Investment Management Co., Ltd. ("Jiashi") on 30 December 2016 to withdraw all of the Group's equity investment of RMB100,000,000 in Jiashi. Pursuant to the shareholders' agreement of Jiashi, the Group has received an amount of RMB40,000,000 (40% of the equity investment) in April 2017. For the remaining receivable of RMB60,000,000 (60% of the equity investment), the Group is entitled to an annual interest rate of 10% since the change date of shareholders in Jiashi.

(iv) In April 2017, the Group lent RMB78,170,810 to Shannan Jiashi Fengqiao Venture Capital Partnership ("Shannan Jiashi") with an interest rate of 8%. Shannan Jiashi could make repayment unilaterally within five years.

The Group does not expect the above loans will be received in 12 months from the balance sheet date and thus classifies them as non-current receivables.

The prepayments, deposits and other receivables were mainly denominated in RMB and JPY. Their carrying amounts approximated their fair values as at the balance sheet dates. The amount of the provision for other receivables was RMB7,515,000 as at 30 June 2017 (31 December 2016: RMB7,515,000).

23 CASH AND BANK BALANCES

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Restricted bank deposits	**390,852**	397,492
Term deposits with initial terms over three months and within one year	**103,950**	106,798
Cash and cash equivalents	**1,867,816**	1,713,464
	2,362,618	2,217,754

The restricted bank deposits as at 30 June 2017 comprised deposits held in bank accounts for issue of letters of credit for certain subsidiaries of the Group and deposits held in bank accounts as pledge for the Company's bank loan. For the six months period ended 30 June 2017, the average interest rate on the restricted bank deposits was 0.98% (2016: 1.10%) per annum.

23 CASH AND BANK BALANCES (CONTINUED)

The cash and cash equivalents represent cash deposits held at call with banks and cash in hand. As at 30 June 2017 and 31 December 2016, cash and bank balances were denominated in the following currencies:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
RMB	**616,363**	713,183
USD	**1,452,658**	1,212,191
HKD	**216,575**	214,831
JPY	**58,814**	63,494
Other	**18,208**	14,055
	2,362,618	2,217,754

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currency and remittance of RMB out of the PRC are subject to the rules and regulations of exchange controls promulgated by the PRC authorities.

24 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Issued and fully paid				
	Number of ordinary shares of par value HK$0.01	**Nominal value of issued ordinary shares** HK$'000	**Equivalent nominal value of ordinary shares** RMB'000	**Share premium account** RMB'000	**Total** RMB'000
As at 1 January 2017 and 30 June 2017	**5,536,401,000**	**55,364**	**53,589**	**659,018**	**712,607**
As at 1 January 2016	5,536,401,000	55,364	53,589	940,705	994,294
Dividends relating to 2015 declared and paid in the current period	—	—	—	(281,687)	(281,687)
As at 30 June 2016	5,536,401,000	55,364	53,589	659,018	712,607

25 RESERVES

	Other Reserves							
	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2017	**285,920**	**9,021**	**45,462**	**(186,827)**	**1,359,229**	**(66,951)**	**7,499,048**	**8,944,902**
Profit for the period	—	—	—	—	—	—	536,015	536,015
Changes in fair value of available-for-sale financial assets	—	—	—	—	459,553	—	—	459,553
Disposal of a subsidiary	—	—	(630)	—	—	—	630	—
Foreign currency translation reserve	—	—	—	(60,939)	—	—	—	(60,939)
Dividends relating to 2016 declared and paid in the current period	954	—	—	—	—	—	(235,398)	(234,444)
At 30 June 2017	**286,874**	**9,021**	**44,832**	**(247,766)**	**1,818,782**	**(66,951)**	**7,800,295**	**9,645,087**

	Other Reserves							
	Capital reserve RMB'000	Share-based compensation reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	284,701	8,574	30,086	(430,491)	1,778,578	(68,130)	6,933,494	8,536,812
Profit for the period	—	—	—	—	—	—	478,763	478,763
Changes in fair value of available-for-sale financial assets	—	—	—	—	(386,403)	—	—	(386,403)
Foreign currency translation reserve	—	—	—	95,424	—	—	—	95,424
Dividends relating to the shares held for Restricted Share Award Scheme	1,191	—	—	—	—	—	—	1,191
Shares vested under Restricted Share Award Scheme	(1,179)	447	—	—	—	1,179	—	447
At 30 June 2016	284,713	9,021	30,086	(335,067)	1,392,175	(66,951)	7,412,257	8,726,234

Note:

The Company adopted the Restricted Share Award Scheme on 10 December 2010 to encourage and retain selected participants including directors and employees of the Group, to work with the Group and to provide additional incentive for them to achieve performance goals. Under the scheme, a trust("the Trust") was established in Hong Kong and purchased 30,000,000 shares of the Company from the open market in December 2010. As the financial and operational policies of the Trust are governed by the Group, and the Group benefits from the Trust's activities, the Trust is consolidated in the Group's financial statements as a special purpose entity.

26 DEFERRED INCOME TAX LIABILITIES

	Unaudited Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Opening balance at 1 January	**118,769**	58,041
Charged to the statement of profit or loss	**27,780**	21,631
Charged to other comprehensive income	**(10,230)**	4,859
Closing balance at 30 June	**136,319**	84,531

27 DERIVATIVE

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Call options (i)	**45,105**	—
Put options (i)	**2,216**	—
Accumulator and decumulator options (ii)	**95,349**	118,206
	142,670	118,206

(i) During the six months period ended 30 June 2017, the Group, as the seller, entered into agreements to sell call options and put options, pursuant to which, the Group will be required to sell or buy certain selected listed shares at a fixed price once the buyers exercise the call options and put options.

(ii) During the year 2016, the Group entered certain investment agreements with an investment bank in which the Group would be required to sell and buy certain selected listed shares on the Main Board of the Hong Kong Stock Exchange and NYSE at a fixed price.

Such investments were designated as derivatives and stated at fair value as at 30 June 2017.

28 BORROWINGS

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Current	**524,096**	750,786

(i) In August 2016, a subsidiary of the Group borrowed an amount of USD42,009,000 (equivalent to RMB284,587,000) from a third party, Forchn International Co. Ltd., with a maturity of 12 months, interest-free.

(ii) In May 2017, a subsidiary of the Group borrowed an amount of USD35,000,000 (equivalent to RMB237,104,000) from China CITIC Bank International Limited at an interest rate of 3 Month Libor+2.2% per annum with a maturity of 12 months. The borrowing is secured by the Group's bank deposits of RMB320,000,000 in China CITIC Bank Corporation Limited.

(iii) In June 2017, a subsidiary of the Group discounted its notes receivable of RMB2,405,000 with recourse at a discounted rate of 1.975%.

29 COMMITMENTS

The Group had the following commitments as at 30 June 2017:

(a) Operating lease commitments — Group as lessee

The Group leases certain properties for retail stores, office premises and equipment under non-cancellable operating lease agreements. The leases have various terms and renewal rights. The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
No later than 1 year	**43,554**	38,227
Later than 1 year and no later than 5 years	**24,135**	30,957
Over 5 years	**1,283**	2,347
	68,972	71,531

29 COMMITMENTS (CONTINUED)

(b) Investment commitments

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Contracted but not provided for		
— investment in Shenzhen Hongtai Growth Venture Investment Center LP	**40,000**	70,000
— investment in Yunfeng Fund RMB III	**34,000**	34,000
— investment in Yunfeng Fund USD II	**47,239**	60,156
— investment in China Momentum Fund	**21,402**	24,161
— investment in 7 Seas Venture Capital L.P.	**13,549**	20,811
— investment in Beijing Sequoia Investment Management Center LP	**12,500**	12,500
— investment in Shanghai Xianghe Yongyuan equity investment partnership LP	**12,000**	—
— investment in CDB Boyu Equity Investment Partnership	**1,172**	1,172
	181,862	222,800

(c) Other commitments

The Group provides sponsorship commitment to certain sports teams. The commitments as at the balance sheet dates were as follows:

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
No later than 1 year	**12,216**	13,879
Later than 1 year and no later than 5 years	**15,242**	16,419
	27,458	30,298

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, control or jointly control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling party of the Group is Mr. Chen Yihong, the Chairman, Executive director and the Chief Executive Officer of the Company. Therefore, close family members of Mr. Chen Yihong and parties that are controlled, jointly controlled or significantly influenced by Mr. Chen Yihong or his close family members are considered to be related parties of the Company as well.

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

(a) Transactions with related parties

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of goods to		
— Mai Sheng Yue He Sporting Goods Co., Ltd.	**60,461**	57,309
— Shanxi Mai Sheng Yue He Sporting Goods Co., Ltd.	**15,765**	24,344
— Shenyang Mai Sheng Yue He Sporting Goods Co., Ltd.	**13,439**	13,879
— Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd.	**8,163**	9,280
— Nanjing Mai Sheng Yue He Sporting Goods Co., Ltd.	**—**	11,008
— Zhejiang Mai Sheng Yue He Sporting Goods Co., Ltd.	**—**	2,722
	97,828	118,542
Purchase of goods from		
— Shanghai Phenix Apparel Co., Ltd.	**145**	5,023

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

(i) Trade receivables (Note 21)

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
— Mai Sheng Yue He Sporting Goods Co., Ltd.	**34,396**	27,235
— Nanjing Mai Sheng Yue He Sporting Goods Co., Ltd.	**14,415**	34,901
— Zhejiang Mai Sheng Yue He Sporting Goods Co., Ltd.	**10,663**	13,191
— Shanxi Mai Sheng Yue He Sporting Goods Co., Ltd.	**10,002**	7,352
— Shenyang Mai Sheng Yue He Sporting Goods Co., Ltd.	**7,620**	9,029
— Tianjin Mai Sheng Yue He Sporting Goods Co., Ltd.	**7,342**	5,155
	84,438	96,863

(ii) Other receivable (Note 22)

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Current portion		
— Mai Sheng Yue He Sporting Goods Co., Ltd.	**17,153**	21,882
— Zhejiang Mai Sheng Yue He Sporting Goods Co., Ltd.	**307**	—
	17,460	21,882

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
Non-current portion		
— Shanxi Mai Sheng Yue He Sporting Goods Co., Ltd.	**2,397**	4,897
— Zhejiang Mai Sheng Yue He Sporting Goods Co., Ltd.	**5,118**	5,118
	7,515	10,015

30 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties (Continued)

(iii) Trade payables

	Unaudited 30 June 2017 RMB'000	Audited 31 December 2016 RMB'000
— Shanghai Phenix Apparel Co., Ltd.	**—**	758

The above balances with related parties were unsecured, non-interest bearing but collectable per demand.

(c) Key management compensation

	Unaudited Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Salaries, bonus and other welfares	**2,131**	5,248
Pension — defined contribution plans	**57**	114
	2,188	5,362

(d) Elite Brave Investment Limited, a company owned by Chairman, provided its business jet to the Group for the corporate use of the senior executives of the Group for free.

31 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to a resolution passed on 16 August 2017, the board of directors of the Company declare an interim dividend and interim special dividend of RMB2.90 cents and RMB20.22 cents per ordinary share of the Company, amounting to RMB160,556,000 and RMB1,119,460,000 for the six months period ended 30 June 2017 from the Company's retained earnings, respectively.

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

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