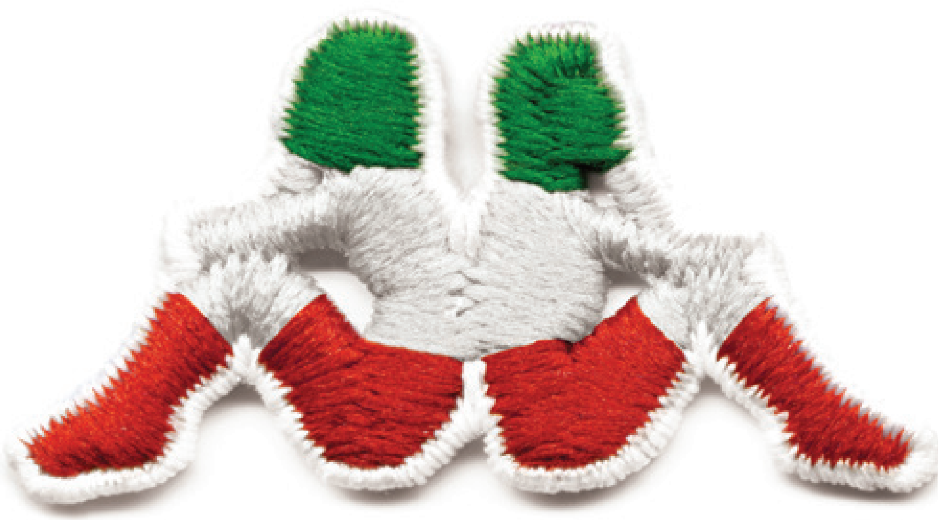
DONGXIANG

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 2018



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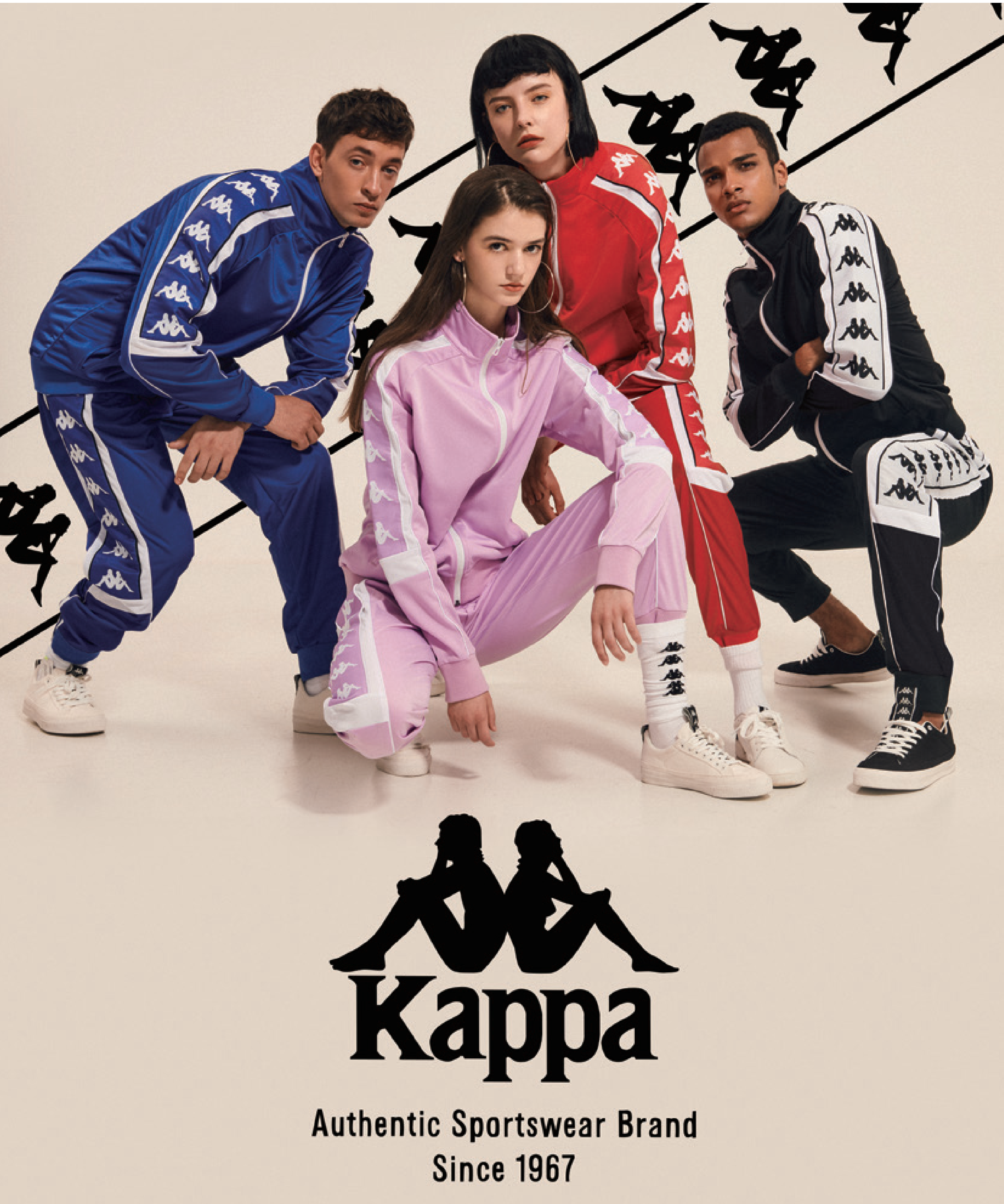
Corporate Information

Executive Directors	Mr. Chen Yihong (Chairman) Mr. Zhang Zhiyong (Chief Executive Officer) Ms. Chen Chen
Independent Non-Executive Directors	Dr. Chen Guogang Mr. Chen Johnny Mr. Gao Yu
Auditor	PricewaterhouseCoopers Certified Public Accountants
Legal Advisers	Norton Rose Fulbright Hong Kong Conyers Dill & Pearman (Cayman) Limited 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 China CITIC Bank
Website	www.dxsport.com


Kappa
Authentic Sportswear Brand
Since 1967

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 2018: 5,886,121,025 shares

2. **Important dates**

   Announcement of 2018 interim results: 15 August 2018

   Book closure date: 30 August 2018 to 3 September 2018 (both days inclusive)

3. **2018 interim dividend and interim special dividend**

   Interim dividend: RMB2.45 cents per share
   Interim special dividend: RMB2.45 cents per share
   Payment date: on or around 10 September 2018

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 OF THE GROUP GREW BY 14.4% YEAR-ON-YEAR

China segment: regaining growth	**Japan segment:** positive turnaround expected as loss be minimised	**Investment segment:** stable performance secured with progress

RESULTS HIGHLIGHTS

For the six months ended 30 June

	2018 **(RMB million)**	2017 (RMB million)	Change
Revenue	**772**	675	+14.4%
Gross profit (before reversal of impairment losses of inventories)	**451**	413	+9.2%
Gross profit margin (before reversal of impairment losses of inventories)	**58.4%**	61.2%	-2.8 ppts
Operating profit	**552**	627	-12.0%
Operating profit excluding investment income	**74**	82	-9.8%
Net profit attributable to equity holders of the Company	**481**	536	-10.3%
	(RMB cents)	*(RMB cents)*	
Basic earnings per share	**8.40**	9.72	-13.6%
Interim dividend and interim special dividend per share	**4.90**	5.80	-15.5%
Additional special dividend	**—**	17.32	N/A

The Board of Directors has proposed to distribute 30% and 30% of the Group's net profit attributable to equity holders for the six months ended 30 June 2018 as interim dividend and interim special dividend respectively, representing a total dividend payout ratio of 60%.

Chairman's Statement

Dear Shareholders,

I am pleased to present on behalf of the Board our results for the first half of 2018.

In the first half of 2018, the global economy continued to regain momentum and the US economy recorded a considerable growth. China's economy, in general, maintained steady growth with positive progress, and domestic consumption remained one of the key drivers of economic growth, though a number of uncertainties, such as trade war, may pose challenges to China and even the global economic growth. The nation's sporting industry has been supported by national policies, growing health awareness among Chinese citizens and rapid growth in the number of sports participants. Plenty of opportunity has been opened up for the sporting industry, but more demanding requirements by consumers had to be fulfilled in terms of product specialisation, blending of fashion and culture and sub-segment markets. Alongside generous opportunities, we were also facing stern challenges.

The Group's revenue for the reporting period increased by 14.4%, year-on-year, to RMB772 million, while profit attributable to equity holders decreased by 10.3% to RMB481 million. Basic earnings per share conceded by 13.6%, year-on-year, to RMB8.40 cents. Nevertheless, the Company has maintained sound cash condition and, as a reward to shareholders for their unfailing support, the Board of Directors has proposed to distribute 30% and 30% of the net profit attributable to equity holders for the six months ended 30 June 2018 as interim dividend and special interim dividend, respectively, representing a dividend payout ratio of 60%.

In the first half of 2018, China Dongxiang was facing drastic changes in the domestic as well as international market landscapes. To seize potential opportunities arising from new developments, we continued to implement reforms while making realistic adjustments in a timely fashion to roll out a range of important measures in a target-specific manner, resulting in impressive performance:

CHINA SEGMENT: BUILDING BRAND CLARITY AND FOCUSING ON RETAIL-END FOR REGAINING GROWTH

In connection with our "Brand + Product" initiative, the Company conducted a meticulous market research during the first half of 2018. Based on our study of a sample base of over 4,000 respondents, we further clarify Kappa's brand DNA and the brand assets. Catering to our brand DNA and target consumer group, we developed a more effective product category and built a brand barrier. In 2018, the Group made prominent efforts to rediscover its brand DNA underpinned by the launch of the classic BANDA logo tape series as a key product, with plans to introduce more innovations on the logo tape series in the second half of the year. In the meantime, Kappa brand has engaged in crossover attempts with famed designer Kazuki Kuraishi and other renowned brands, inviting star celebrities to feature in promotional initiatives as we sought to provide the lead in fashion. The BF and WMNS Series also delivered stellar performance, as their notion of "new feminism" further enhanced our brand influence among women consumer groups, as evidenced by the notable increase in the sales of ladies' products. Moreover, we continued to adopt 360-degree brand marketing through a combination of online and offline activities by incorporating fashion elements in product designs and leveraging hot talks in the media to promote our brand philosophy. Kappa's brand image of being "rebellious, passionate and outgoing" has become increasingly popular with young consumer groups passionate about pop cultures.

For the "Brand + Retail" business, the Group made diligent efforts to optimise its existing store mix while closing and renovating underperforming stores in an ongoing move to consolidate reforms at deeper levels and focus on retail-end. The percentage share of stores in shopping mall increased by approximately 5 percentage points. As at the end of June 2018, the Group had a total of 1,439 Kappa stores (including Kappa Kid's stores), representing a net decrease of 48 stores, which are mainly underperforming stores. The Company achieved its interim targets for same-store sales ("SSS") and retail sales growth, and recorded middle-to-low single digit growth in SSS and retail sales for the first half of 2018 despite a 20%- 25% year-on-year decline in forward orders. Thanks to a range of effective reform measures, we believe that the most difficult period for Kappa has been past. Furthermore, new customers were developed in Hebei, Jiangsu, Shandong, Hunan and Guizhou in preparation for the Group's opening of more efficient stores in the second half of the year.

E-commerce has always been an integral part of the business mix of the Group, which has been consistently seeking changes to strive for further growth in the increasingly competitive e-commerce market. During the first half of 2018, the Group actively collaborated with well-known e-commerce platforms, such as Tmall, JD.com and VIP shop, to launch promotional campaigns during popular festive seasons, while enhancing promotion of new products on online platforms to facilitate combination of online and offline marketing.

On top of stable development, the kids' wear business was enhancing its brand assets during the first half of 2018 through its sponsorship for the "Chinese Football Boy" (中國足球小將) tournament, whose popularity continued to grow during the period with the launch of activities such as youth football training and the "Kappa Kids Cup National Tour" in further consolidation of our position in the kids' wear market. For the six months ended 30 June 2018, revenue of the kids' wear business amounted to RMB50 million, accounting for 7.7% of revenue of the China region.

JAPAN SEGMENT: STABILIZED AS LOSS MINIMISED AND TURNAROUND CAN BE EXPECTED

Our Japan business continued to undergo reforms. During the reporting period, revenue from Japan segment grew significantly and financial loss shrank substantially with an improved financial condition as compared with the same period last year. On top of securing stable growth in Japan business, the Group has endeavoured to expand the business development of the PHENIX Brand in China as well as overseas sales based in the European market. Meanwhile, China Dongxiang was focused on investing in the Winter sports market following rapid growth of the domestic Winter sports industry since the publication of the "Winter Sports Development Planning (2016–2025)" by 4 government departments led the General Administration of Sport of China, aided by the promotional effect afforded by the PyeongChang Winter Olympics held at the beginning of the year. In particular, PHENIX was selected for the outstanding quality of its skiing apparel and its superb handicraft to supply tournament outfit to the Norwegian Skiing Team, a leading contender of the sport who snatched up the most number of gold medals and medals in general for this category at the 2018 PyeongChang Winter Olympics. Since 2018, PHENIX China has been stepping up with its effort in channel expansion, membership services and brand marketing in active preparation for the four-year cycle leading to the Beijing Winter Olympics.

INVESTMENT SEGMENT: STABLE PERFORMANCE SECURED WITH PROGRESS MADE IN A CAUTIOUS WAY

After years of efforts made in our financial investment business, the value appreciation has generated attractive return to our shareholders. During the reporting period, based on the strategies of "being profit-oriented, working with high-calibre partners and being focused on competitive projects", we maintained close communications with our existing partners from high quality investment funds, and also carefully selected new partners of investment funds and extraordinary project resources for investment, with an aim to maximise the efficiency and effectiveness of our investments.

In the first half of 2018, the investment business achieved a satisfactory performance despite challenging circumstances, such as fluctuation from systematic risk in the market and adoption of IFRS 9. As at 30 June 2018, the Group reported net asset value of its investments of RMB9,137 million, an increase of 5.7% as compared with that as at 31 December 2017, and an increase of 27.5% as compared with the market value of the Group for the corresponding period. During the reporting period, the Group had investment net gains of RMB423 million. The price of Alibaba shares held by the Group further increased, and the value of our investment in Ant Financial through special purpose vehicle ("SPV") investment soared after a new financing plan announced. Other investments achieved capital appreciation to different extents with investment safety reasonably assured. To respond to the current complex market situation, our investment team will exercise extra caution in selecting cooperation partners and investments, and seize opportunities to realise our investments for securing return on our investments.

Finally, I wish to express sincere gratitude to my fellow Directors and all members of the staff for their hard work and contributions. I would also like to take this opportunity to thank all our partners and shareholders for their longstanding support of the Group. In full confidence, we look forward to achieving new milestones in the future.

Chen Yihong
Chairman

15 August 2018

Management Discussion and Analysis

MACRO-ECONOMIC REVIEW

The growth momentum of the global economy emerging during the past year continued into the first half of 2018 with a trend of sustained recovery and the US economy recorded a considerable growth. New markets and developing economies leaded by Asia remained robust. Japan sustained moderate economic recovery despite weakening domestic consumption and a slowdown in export growth. While the resurgence in global investment and trade is expected to continue, the medium-term outlook for certain countries remains challenging. In the meantime, the rise of trade protectionism and geopolitical tensions will also threaten to undermine the prospect of global economic development.

China's economy, in general, maintained steady growth with positive progress, and domestic consumption remained one of the key drivers of economic growth, though a number of uncertainties, such as trade war, may pose challenges to China and even the global economic growth. However, the increasingly stable demand and supply in the domestic market and improving economic efficiency of domestic companies after years spent in economic reforms have afforded the nation stronger resilience to deal with external as well as internal impact. As China will increase its import on top of consolidating its domestic consumption to facilitate upgrade in retail spending, the nation's economy is expected to continue with its steady progress.

INDUSTRY REVIEW

According to the National Bureau of Statistics, China's total retail sales of consumer goods for the first six months of 2018 amounted to RMB18 trillion, a year-on-year growth of 9.4% underpinning a relatively fast-growing market for consumer goods. According to www.chinaidr.com, the apparel sector will enjoy an extended trend of recovery in 2018, accounting for an increasing share. The sporting industry was trending positively in general given favourable factors such as policy support and increasing domestic demand for spending on sports.

China's market for retail spending on sports generally held out enormous potential given the significant gap in per capita retail spending on sports compared to developed nations. Since the announcement of "Certain Opinion on Expediting the Development of the Sporting Industry and Driving Retail Spending on Sports" by the State Council, the total worth of the sporting industry has grown from RMB1.36 trillion in 2014 to RMB1.9 trillion in 2016 at a strong average annual growth rate of 18.2%. According to economic data released by the National Bureau of Statistics, retail sales of consumer goods in the sporting and entertainment sector for 2017 grew 15.6%, year-on-year, making it the fastest-growing sector of goods relating to spending upgrades. As a new driver of economic development, the sporting industry has shown increasing influence on the national economy. In the meantime, the government has announced policy guides for the development of specific sporting interests such as marathon running, Winter sports and cycling, providing an enormous motivation for public participation in sports.

The demand for retail spending on sports has been gradually shifting from primary spending on traditional manufactured sporting goods to sporting entertainments and shows, while consumers' demand for novel sporting interests such as marathon running, yoga, skiing and equestrian sports has also strengthened. In the meantime, the sporting industry has continued to optimise structurally, as interaction and organic integration with other industries such as the health, tourism, media and IT sectors has resulted in the rapid rise of novel sporting service businesses, driving improvements in the sporting sector in terms of the quality and benefits of development. With the announcement of a series of favourable national policies providing further impetus, China's sporting industry is well-positioned to embrace a new cycle of industrial upgrade against the backdrop of qualitative economic development underpinned by robust domestic demand.

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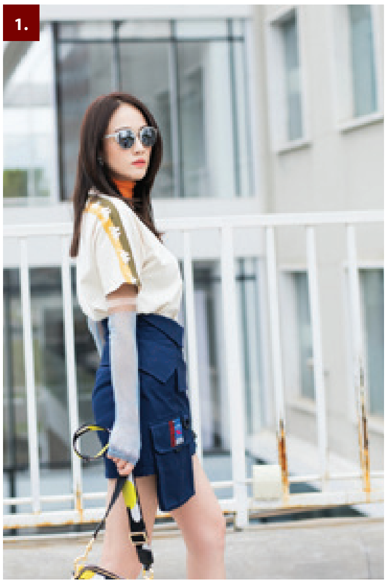

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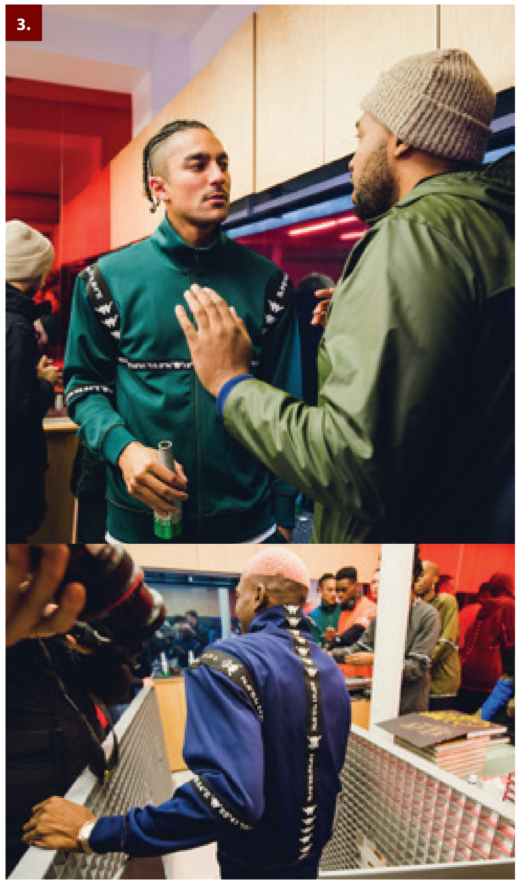

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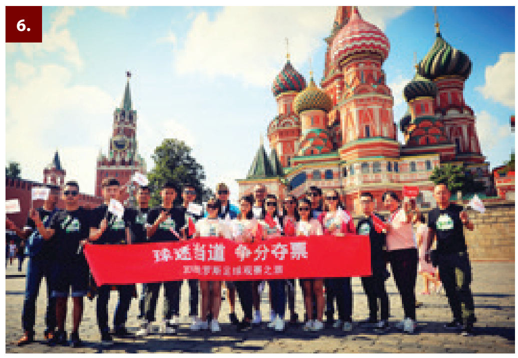

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8.

1, 5, 7. Kappa BANDA Series demonstrated by famous artists

2. Sponsoring popular Internet variety shows “Street Dance of China” (《這!就是街舞》) and “Hot-Blood Dance Crew” (《熱血街舞團》)

3. 18SS A.FOUR LABS meets POSH ISOLATION for KAPPA Launch Party held at Club 75 in Paris

4. Kappa WMNS Women’s Series

6. Kappa World Cup Travel Tour to Russia 2018

8. VAVA, a famous artist, participates into a Kappa store event

Management Discussion and Analysis

BUSINESS REVIEW

For the first half of 2018, the Company managed to achieve its targets for SSS and retail sales growth for the Kappa brand off-line platform despite the year-on-year decline in forward orders, thanks to efforts in new customer development and ongoing closure and renovation of underperforming stores. In connection with brand promotion, we continued to apply our integrated marketing and promotion strategy with full coverage of online-and-offline platforms, while launching cross-sector cooperation with well-known designers and IP focused on the BANDA element to enhance our brand image. Meanwhile, our investment business continued to report sound development and generate stable long-term income for shareholders.

Brand Building and Marketing

PRC — Kappa brand

During the first half of 2018, Kappa further enhanced its unique brand positioning as a trendsetter as it made all-out online and offline marketing efforts via the digital new media. Through cross-sector collaboration with celebrities in the entertainment, music and art communities to capture the latest fashion trends, the brand substance and philosophy has been further reinforced.

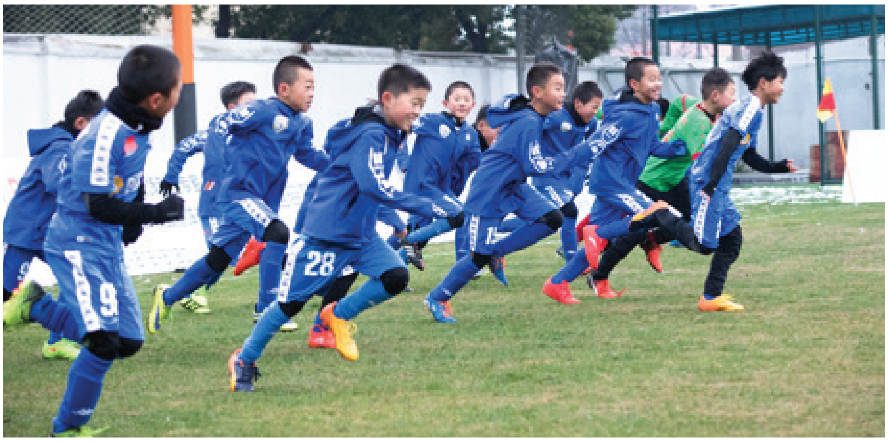
Since January 2018, Kappa has been riding the momentum of the Paris Fashion Week to promote the Banda series featuring classic Omini designs.. Through live webcast of stars and Internet celebrities wearing outfits of the series, the hashtag of #BANDA Everywhere# on the customer end of mainstream news media has enhanced trending and recognition of the brand via mass communication. Meanwhile, Kappa continued to work with renowned designer Kazuki Kuraishi to launch a co-branded new product series for the Spring and Summer season which were well received by the market.

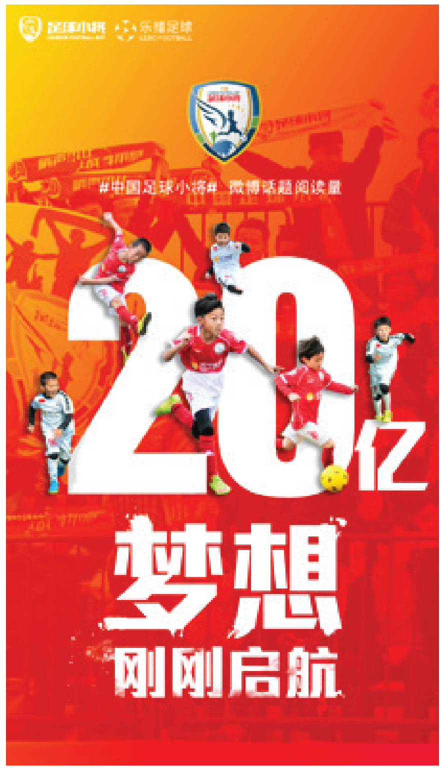
The ladies' product lines delivered spectacular performance in the first half of 2018. Through collaboration with MOGU Street, a platform for fashionable ladies' products, and recommendations by well-known fashion bloggers on Weibo, the brand has further entrenched the idea of "new feminism" and enhanced brand recognition among women spenders.

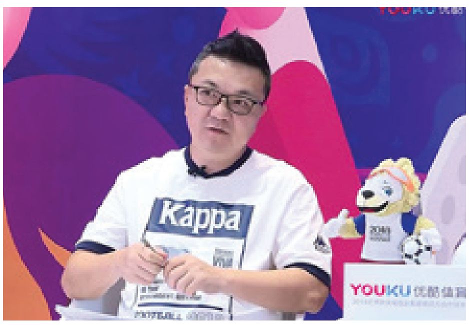
Moreover, Kappa was also committed to entertainment marketing as it sought to increase exposure of its brand and products on all fronts. Product placements in popular Internet variety shows such as "Hot-Blood Dance Crew" (《熱血街舞團》) and "Street Dance of China" (《這!就是街舞》), as well as the tracking of popular shows via socialised communication means, have directed the audience to make purchases at stores. In the meantime, the brand also worked with a number of leading stars to showcase its products on the street photo platforms of new media in an effective and extensive outreach that resulted in more fashion talks in media.

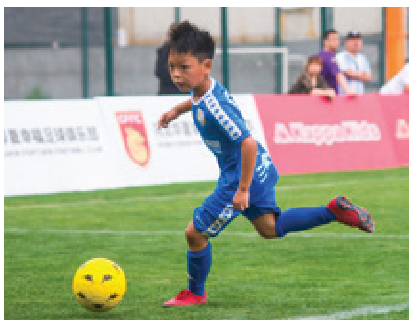
To mark the 16th anniversary of Kappa's presence in China, its online platform was engaged in a range of vigorous marketing and promotion campaigns. Taking opportunities presented by the anniversary celebrations, we assisted sales by delivering marketing information through "Overturning Omini" and price-slashing application programs. Elsewhere, taking advantage of the spending spree triggered by World Cup, the quadrennial sporting extravaganza, Kappa attracted users to its application programs and successfully directed them to offline stores after teaming up with JD.com, China Southern Airlines and CCTV in a series of promotional activities such as lucky draws.

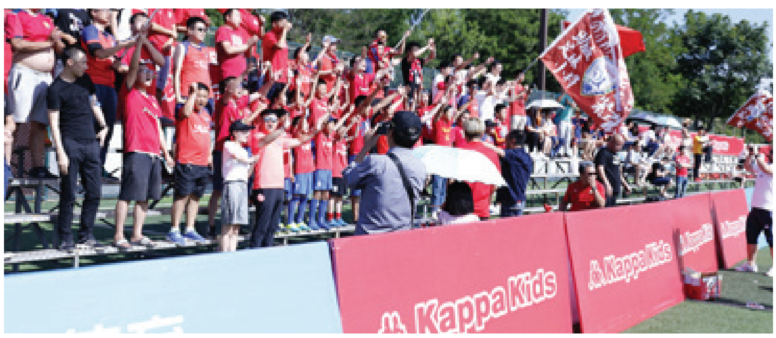
The brand-building activities and the strategy of dual promotion through promotion activities and stores of our kids' wear business continued to report success during the first half of 2018. The "Chinese Football Boy" (中國足球小將) campaign, introduced in 2017 with the aim of incorporating the brand into teenage football culture, continued to gain popularity. In January, Kappa Kids teamed up with Lebo Football (樂播足球) to engage in youth football training in China, with famous TV host Dong Lu (董路) and football player Wu Lei (武磊) pledging support through their presence. The "Kappa Kids Cup National Tour" also commenced in Chengdu, Guangzhou, Xi'an, and Nanjing amidst mounting popularity aided by promotion on social media, live broadcast platforms and TV shows, as the Weibo hashtag of #Chinese Football Boy# secured more than 2 billion click views in a major boost of Kappa Kids' brand exposure, reputation and influence in the kids' wear market.











KAPPA KIDS SPONSORS THE "CHINESE FOOTBALL BOY" (中國足球小將) TOURNAMENT


phenix

Japan — Kappa brand

During the first half of 2018, Kappa conducted in-depth analysis of the fashion trends of the Japanese market and launched a range of effective brand promotion activities via a combination of different channels tailored to the characteristics of local consumer spending, resulting in stronger recognition and support of its brand essence on the part of consumers.

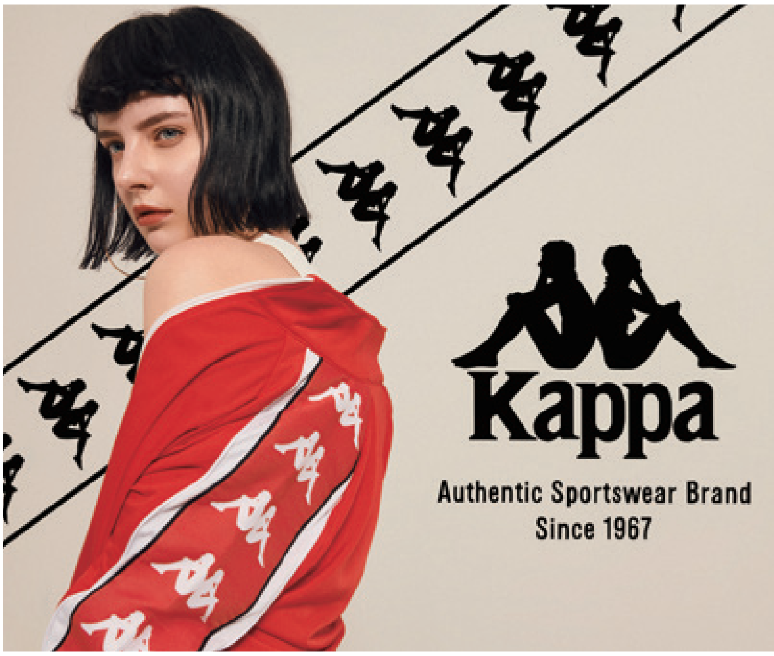
In connection with Kappa football, our leisure football outfit series has become immensely popular with shoppers flocking to our stores after Japan made it the World Cup Finals in Russia. In addition to maintaining visual marketing at stores, we also secured placements of Kappa-related information in magazines and on websites to ensure full exposure on online as well as offline platforms. In June 2018, the Group organised the "Kappa Thanks Match" in Chiba, the home ground of JEF United with whom the Group had a sponsorship deal. With an attendance of close to 10,000 football fans, the "Kappa Thanks Match" has enhanced the brand's engagement with consumers and further promoted its brand essence.

With respect to Kappa Golf, the Group emphasises intimate engagement with consumers via social media, on top of maintaining brand exposure in well-known magazines and newspapers and on major websites. In view of the growing number of women golfers aged between 20 and 40, the Group sponsored renowned golfer Shiho Oyama for her participation in the Yonex Ladies Golf Tournament, which she eventually won. The brand's reputation in the golf community has been further enhanced following considerable exposures of Kappa products in news reports. Moreover, Kappa Lifestyle provided mix and match demos in a number of popular fashion magazines in sync with young fashion trends to promote the logo tape retro style.

Japan — PHENIX brand

Since the launch of the brand, PHENIX SKI has continued to win the commendation of top world-class athletes for its "high quality and functional excellence". The Group has further enhanced its brand value and won over more brand lovers following the implementation of promotional initiatives targeted at key skier groups in the first half of 2018. Through further collaboration with "SNOW JAPAN", the popular skiing website, we have once again highlighted the brand's unique advantage of offering fashion as well as functionality for the skiers. In addition, the PHENIX-sponsored Norwegian National Alpine Skiing Team once again topped the gold medal table and general medal table at this year's PyeongChang Winter Olympics. Thanks to the outstanding performance of sponsored athletes in various events and exposures in global media, the brand influence of PHENIX has reached out to more countries and regions around the world. At the Tokyo SKI FORUM held in late May 2018, participants crowded around the PHENIX pavilion to scrutinise the fashionable styles of its quality products.

Regarding PHENIX OUTDOOR, products satisfying the camping requirements of consumers were much sought after by young OUTDOOR users during the first half of 2018. In addition to placements in magazines and on the Internet, we also sponsored "Discovery of World Mysteries", the popular Japanese variety show, to facilitate full exposure of our brand LOGO. To increase engagement with consumers, the Group posted feature stories on seasonal themes and functional characteristics of the products on its official brand website in a timely fashion, while also publishing a series of interviews with celebrity users under the theme of "PHENIX — A date with the outdoors" to enhance users' understanding of the brand and its products and encourage media talks.


Kappa
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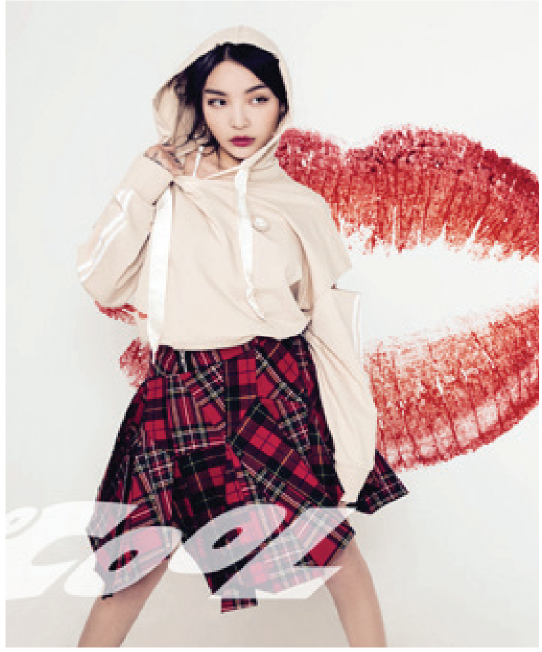

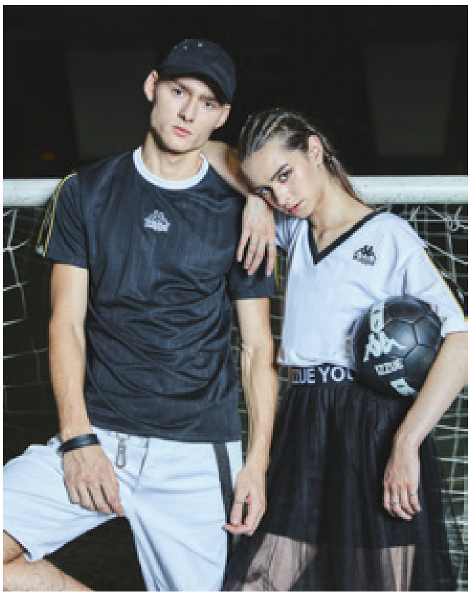

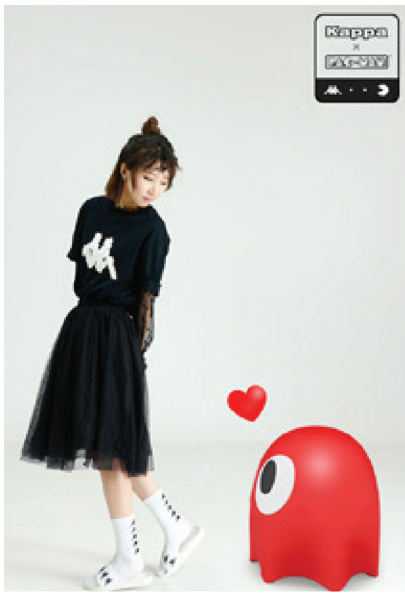
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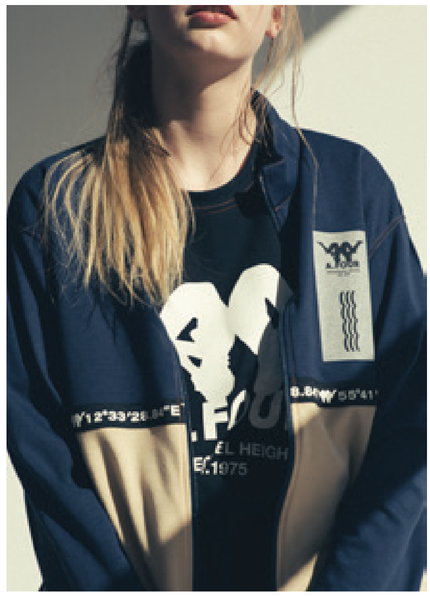

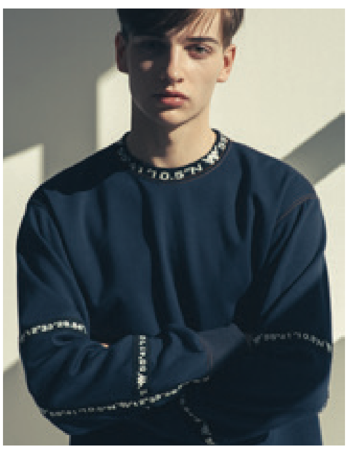

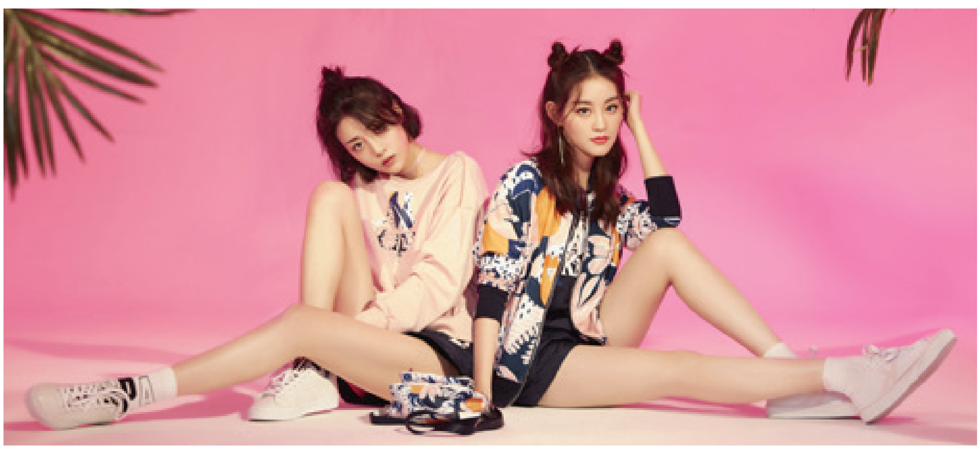

Product Design and Research and Development

Apparel Series

Since its launch in 2016, BANDA Series has incorporated a broad range of new fashion elements while inheriting the brand DNA of an innovative spirit, as showcased by its much talked about crossover with famed designer Kazuki Kuraishi. Elsewhere, Kappa has also teamed up with IZZUE and classic game IP "PAC-MAN" to unveil a series of co-branded products, in a move to introduce different fashion elements from all sources. Looking to the second half of 2018, Kappa will step up with innovative attempts for the BANDA series to highlight its brand DNA, substance and philosophy.

BANDA Series

Originating in Italy in the 1970s, BANDA series acquired global fame after the U.S.A. athletic team dominated the 1984 Olympics while wearing the 222Banda themed outfit. For this season, BANDA Series drew inspirations from the popular retro trend and applied vintage design methods based on retro templates, tailoring its products to the body build of Asians to facilitate fashionable mix and match. Ongoing R&D was conducted in connection with fabric and details to maximise comfort, while a wide array of tones were offered to ensure the fashionista had what they needed to show off their true colours. All in all, these are must-have outfits with the trendiest quality.

A.FOUR LABS meets POSH ISOLATION for KAPPA Series

As a champion of the notion of #PEOPLE ON THE MOVE#, Kappa has never loosened up on innovation, upgrade and renovation. On 21 March 2018, A.FOUR LABS meets POSH ISOLATION for KAPPA, the heavyweight co-brand series developed in collaboration with Kazuki Kuraishi, was officially launched. The series represents the infusion of the aesthetics of Japanese work wear into the retro movement on top of an existing blend of music, art, fashion and sports, much to the delight and appreciation of the fashionable. The bold restyling of Kappa's classic OMINI LOGO with an adjustable strap highlights the design elements of POSH ISOLATION geographic coordinates and A.FOUR LABS LOGO in a creative fashion, underpinning another breakthrough of the co-brand series which is sure to set a new trend in fashion.

BF Series

The brand new BF (Boy Friend) Series launched by Kappa in January 2018 is an attempt to create a carefree, sunny and handsome image for the lady, emphasising comfort and freeing itself from the restriction of traditional sizes. Inspired by the England Rose and the Hippies of the 1970s, the double-collar design of the oversize sweater is streetwear redefined, while the 9/10 sleeves and drop-shoulder silhouette of the jacket are a perfect match with the rebellious young lady. The dominant oversize silhouette of the top is a candid display of the unisex qualities and resolve of women in a flawless statement of new feminism championed by the Kappa BF Series — #Girls are handsome#!

WMNS Women's Series

Following the dreamy pink theme of the previous season, the WMNS Series, much favoured by fashionable sportswomen, drew its inspirations from the tropical forest this season. While keeping the brilliant silhouette and sporting details, the design for the current season features a rich blend of tropical touches in a powerful display of the qualities of a fashionable and handsome lady. The hoodie breaks away from boring matches with a pair of extra-wide short-sleeves, curving downward spiral patterns at the back and delicate ornaments on the tape, pronouncing the carefree attitude of a lady of style through the details. Elsewhere on the short-sleeve top, the floral pattern clashes gently and yet intensely with the LOGO only for a feeling of the warmth of Spring to prevail. A perfect statement of the power of women underpinned by an unbridled and ingenuous nature, the WMNS Women's Series is another of the brand's masterpieces in ladies' wear.

Kappa x PAC-MAN Series

On the eve of Children's Day in June 2018, Kappa launched the "Growing Game of Life", a brand new PAC-MAN Spring and Summer Series in another collaboration with "PAC-MAN", the Japanese video game by Namco, to extract design elements from the classic childhood game. The rule of "PAC-MAN", "YOU GONNA NEVER STOP", resonates in perfect tandem with Kappa's "People On The Move" to give birth to the fashionista's spirit of "Never-ending Pursuit", promising brand new experiences and surprises for the fashionable players who love the PAC-MAN culture as well as the retro sporting style.

Kappa x IZZUE Co-brand Series

Kappa is committed to the constant redefining of the culture of sports fashion, seeking to capture latest street styles through diverse creativity. The Kappa x IZZUE Co-brand Series launched in June 2018, for example, is a fine interpretation of the "LIVE IT REAL" attitude of the true and daring young ones. The series is underpinned by a brand new template design featuring the creative combination of the IZZUE brand mark and Kappa's OMINI LOGO into a unique new logo tape, complemented by simple colors to meet the different clothing needs and showcase the unique charm of the retro street style. What's more, to join in the World Cup frenzy, the outfit is decorated with green stripes typical of the football jersey in a move to integrate football and fashion, in addition to a co-brand football as a tribute to the World Cup.

Shoes Series

The 2018 Spring and Summer series of Kappa footwear continued to surprise with innovative styles and approaches, featuring items with prominent brand features enriched by our international resources. In terms of style, more emphasis was put on creating high-end appearances and stylistic flairs with a modern touch, as brand new models and designs were launched to complement the classical styles. In the meantime, the season also highlighted the rediscovery and blend-in of Kappa's historic resources, as illustrated in the perfect adoption of European styles, brand colours and the classic BANDA element in the 2018 Spring and Summer series. Moreover, the Summer product line was further enriched by seasonal lightweight breathable shoes, fashionable sandals and beach slippers offered on a brand new rolling-stock basis.

Accessories Series

Kappa's interpretation of the spirit of being passionate, rebellious and outgoing, alongside its constant innovations and upgrades in craftsmanship and technologies, have also been vigorously reflected in its accessories. The accessories have played an important role in matching in the series launched in collaboration with Kazuki Kuraishi in 2018. The BANDA scarf series and the mini rucksack for ladies have alike been eagerly sought after by the fashionista. Meanwhile, the upgraded versions of our classical bags and caps, turning elementary products into popular items of fashion, have been trending strongly among young shoppers. In addition, we continued to apply our magical deodorizing technology in our 100% cotton socks to ensure additional comfort as daily wear. In 2018, our accessories have been brought into greater visual accord with our apparel and footwear series to provide consumers with more matching options in overall styling.

Omni-channel retail network

During the period under review, the Group continued to optimise its retail network and enhance store efficiency through the implementation of its brand-oriented business model. As at 30 June 2018, the Group had a total of 1,439 Kappa stores (including 335 Kappa Kid's stores), representing a net decrease of 48 stores as compared to the end of last year (a net decrease of 33 Kappa stores and a net decrease of 15 Kappa Kid's stores). A total of 514 Kappa adults and 70 Kappa Kids retail stores were directly or indirectly operated by our subsidiaries. For the first half of 2018, the sales network formed by Kappa retail stores continued to cover all major provincial capitals and other major large cities and towns in China.

In 2018, we have been seeking changes and innovations in our e-commerce operations amidst increasing market saturation. We have facilitated integration between our online and offline business operations by actively participating in major holiday marketing campaigns organised by well-known e-commerce platforms to attract new customers, while increasing our efforts in online promotion of new products.

Increasing the contributions of Group Investment projects

In the first half of 2018, in addition to undertaking a greater reform to the Group's principal business, the Group endeavoured to orderly facilitate the development of its financial investment business in a safe and effective manner based on its usual investment strategy of "being profit-oriented, working with high-calibre partners and being focused on competitive projects". The Group maintained close communications with its quality long-term partners, such as Yunfeng Fund, Citic Fund and Sequoia Fund, and also carefully selected new partners of investment funds for expanding resources for investment projects and investment channels, as well as chose extraordinary project resources for further specialised investments, with an aim to maximise the efficiency and effectiveness of the investments.

Despite challenging circumstances, such as fluctuation from systematic risk in the market and adoption of IFRS 9, the investment business of the Group achieved a satisfactory performance with the priority of capital safety and reasonable return by pooling the Group's considerable experience in investment and risk management. During the reporting period, the price of Alibaba shares held by the Group further increased, and the value of our investment in Ant Financial through special purpose vehicle ("SPV") investment soared after a new financing plan announced. Other investments achieved capital appreciation to different extents with investment safety reasonably assured. In future, the Group will strengthen its close cooperation with investment partners, exercise extra caution in assessing each investment project and seize opportunities to release the value of the projects in a timely manner, so as to secure long-term and stable return to the shareholders without sacrificing capital safety and effectiveness.

OUTLOOK

While global economic recovery continued in 2018, the sporting industry remained subject to risks and uncertainties owing to macro-economic factors such as China-U.S. trade conflicts. As the largest segment in the sports market, the sporting gear segment generally trended well on the back of favourable factors such as policy support and higher demand for spending on sports. Faced with challenges as well as opportunities, China Dongxiang has maintained a high rate of shareholders' return thanks to its unique brand spirit, diversified development strategy and mature and prudent investment business.

After more than six months of realignment and reform, the Group proposes to conduct brand operations in three stages in the second half of the year. First of all, we should target at the right channels; second, we should renovate our products and strengthen our brand DNA to develop an effective product category; third, we should build brand assets for the long term. We believe that the driving force generated from these three aspects will underpin strongly the long-term development of the brand. Moreover, as a listed company, China Dongxiang will continue to look at the correlation between assets and capital from a global perspective and identify suitable timing and leverage to integrate capital and sports in a better way.

FINANCIAL REVIEW

The sales for the first half of 2018 of the Group was RMB772 million, increased by 14.4% as compared to RMB675 million for the first half of 2017. Profit attributable to equity holders for the first half of 2018 was RMB481 million, decreased by 10.3% as compared to RMB536 million for the first half of 2017.

Sales Analysis (Revenue of the Group has been recognised on a gross basis since 2018 and the comparative figures for the same period last year have been adjusted for consistent presentation)

Sales analyzed by geographical segments, business segments and product categories

	Six months ended 30 June						
	2018			2017			
	RMB million	% of product/ brand mix	% of Group sales	RMB million	% of product/ brand mix	% of Group sales	Change
CHINA SEGMENT							
Kappa Brand							
Apparel	**426**	**74.9%**	**55.2%**	362	70.4%	53.6%	17.7%
Footwear	**132**	**23.2%**	**17.1%**	141	27.5%	20.9%	−6.4%
Accessories	**11**	**1.9%**	**1.4%**	11	2.1%	1.6%	0.0%
Kappa Brand total	**569**	**100.0%**	**73.7%**	514	100.0%	76.1%	10.7%
Kids business	**50**		**6.5%**	43		6.4%	16.3%
International business and others	**30**		**3.9%**	10		1.5%	200.0%
CHINA SEGMENT TOTAL	**649**		**84.1%**	567		84.0%	14.5%
JAPAN SEGMENT							
Phenix Brand	**62**	**50.4%**	**8.0%**	40	37.0%	5.9%	55.0%
Kappa Brand	**61**	**49.6%**	**7.9%**	68	63.0%	10.1%	−10.3%
JAPAN SEGMENT TOTAL	**123**	**100.0%**	**15.9%**	108	100.0%	16.0%	13.9%
THE GROUP TOTAL	**772**		**100.0%**	675		100.0%	14.4%

China Segment

Total sales of the Kappa brand business, the core business of the Group, in the first half of 2018 increased by RMB55 million to RMB569 million as compared to RMB514 million in the first half of 2017. The sales of kids business unit in the first half of 2018 increased by RMB7 million to RMB50 million as compared to that in the first half of 2017.

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 optimise 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 optimisation of its retail stores, resulting in 1,104 Kappa stores in total. Also, there were 335 Kappa Kid's stores in total in the first half of 2018.

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

	Six months ended 30 June				
	2018		2017		
	Sales RMB million	% of sales of Kappa brand	Sales RMB million	% of sales of Kappa brand	Change
Wholesale	**211**	**37.1%**	230	44.7%	−8.3%
Retail	**358**	**62.9%**	284	55.3%	26.1%
Total of Kappa brand	**569**	**100.0%**	514	100.0%	10.7%

Note: Excluding Kappa Kids business.

Sales of Kappa brand products via wholesale channel in China segment decreased by RMB19 million to RMB211 million in the first half of 2018 from RMB230 million in the first half of 2017, representing 37.1% of the total sales of Kappa brand in China segment in the first half of 2018 as compared to 44.7% in the first half of 2017.

As at 30 June 2018, the number of self-owned retail stores under Kappa brand operated by our subsidiaries in China reached 514. Sales via retail channel increased by RMB74 million to RMB358 million in the first half of 2018 from RMB284 million in the first half of 2017, representing 62.9% of the total sales of Kappa brand in China segment in the first half of 2018 (1H 2017: 55.3%).

Japan Segment

Sales from Japan Segment in the first half of 2018 increased by RMB15 million to RMB123 million from RMB108 million in the first half of 2017. The increase in sales of Japan segment was mainly due to product optimisation and decrease in returned products.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group increased by RMB59 million to RMB321 million in the first half of 2018 (1H2017: RMB262 million).

In the first half of 2018, our gross profit before reversal for impairment losses of inventories rose by RMB38 million to RMB451 million (1H2017: RMB413 million). Our overall gross profit margin before provision for impairment losses of inventories in the first half of 2018 decreased by 2.8 percentage points to 58.4% from 61.2% in the first half of 2017. In order to improve the efficiency of its logistics work and inventory structure, the Group, in the first half of 2018, conducted a centralized check and removed some defective goods in China which are from year 2015 and before. Approximately RMB140 million tag price was involved, and this resulted in a one-off decline in the Group's gross profit margin by approximately 2.3 percentage points, and a decline in China's gross profit margin by approximately 2.7 percentage points.

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

	Six months ended 30 June		
	2018	**2017**	**Change**
	Gross profit margin	**Gross profit margin**	**% pts**
China segment	**61.5%**	65.9%	−4.4
Kappa Brand:			
Apparel	**69.4%**	70.9%	−1.5
Footwear	**54.1%**	60.2%	−6.1
Accessories	**72.7%**	64.8%	7.9
Kappa Brand overall	**65.9%**	67.9%	−2.0
Kids business	**53.8%**	58.2%	−4.4
Japan segment	**42.3%**	37.0%	5.3
Group overall	**58.4%**	61.2%	−2.8

* Before reversal for impairment losses of inventories

Gross profit margin of Kappa Brand in China segment in the first half of 2018 decreased by 4.4 percentage points to 61.5% from 65.9% in the first half of 2017, of which there is a decline in its gross profit margin by approximately 2.7 percentage points after a one-off clean-up of the defective inventory.

Gross profit margin of Japan segment increased by 5.3 percentage points to 42.3% in the first half of 2018 from 37.0% in the first half of 2017. 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 2018 was RMB503 million (1H2017: RMB557 million).

The investment segment contributed investment income of RMB490 million and secured financial subsidies and others of RMB13 million.

Investment segment

Revenue from investment segment of the Group in the first half of 2018 was RMB490 million (1H2017: RMB552 million), of which gains from fair value change of financial assets amounting RMB412 million and other gains of RMB78 million.

Since 1 January 2018, the Group has adopted IFRS 9: Financial Instruments to measure our financial assets. For further details, please refer to note 3 set out in "notes to the condensed consolidated interim financial information".

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 2018 was RMB420 million (1H 2017: RMB343 million), constituting 54.4% of the Group's total sales increase of 3.6 percentage points as compared with that in the first half of 2017. The Group has further optimised resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

As a result of recruitment of management talents in the second half of 2017 and followed by the optimisation and adjustment made in internal organizational structure in the first half of 2018, efficiency of all staff members has further increased. Our overall staff costs increased by RMB13 million to RMB79 million in the first half of 2018 from RMB66 million in the first half of 2017;

In the first half of 2018, advertising and selling expenses increased by RMB66 million to RMB240 million from RMB174 million in the first half of 2017, principally due to the further optimisation of the sales channels of the Group and the increase in matching of the expenses stated and the beneficial period during the period.

In the first half of 2018, logistics and transportation fee decreased by RMB2 million to RMB28 million as compared to RMB30 million in the first half of 2017 principally due to further optimization of logistics and transportation procedures during the period;

In the first half of 2018, the Group continued to take a more cautious but effective approach in investment in product development and our design and product development expenses was RMB19 million (1H 2017: RMB18 million).

Operating Profit

In the first half of 2018, operating profit of the Group was RMB552 million (1H2017: RMB627 million). The operating profit margin was 71.5% in the first half of 2018 (1H2017: 92.9%).

Finance Income, Net

In the first half of 2018, net finance income of the Group amounted to RMB5 million (1H2017: net finance expenses of RMB30 million), which consisted of interest income from bank deposit of RMB8 million (1H2017: RMB7 million), interest expenses for loans of RMB10 million (1H2017: RMB5 million) and net foreign exchange gains of RMB9 million (1H2017: foreign exchange losses of RMB30 million) in the reporting period.

Taxation

In the first half of 2018, income tax expense of the Group amounted to RMB77 million (1H2017: RMB64 million). The effective tax rate was 13.8% (1H2017: 10.7%).

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 2018 was RMB481 million (1H 2017: RMB536 million), and net profit margin of the Group was 62.3% (1H2017: 79.4%).

Earnings Per Share

The basic and diluted earnings per share were both RMB8.40 cents in the first half of 2018, decreased by 13.6% against the basic and diluted earnings per share of RMB9.72 cents in the first half of 2017.

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 less shares held for restricted share award scheme during the period. On 27 April 2018, the Company completed the issuance of new shares to seven connected management members and five other management members, involving a total of 211,310,000 new shares. Subsequent to the completion, the total number of shares of the Company increased to 5,886,121,025 shares.

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 RMB2.45 cents (equivalent to HK2.7996 cents) and RMB2.45 cents (equivalent to HK2.7996 cents) respectively per ordinary share (totaling RMB4.90 cents, equivalent to HK5.5992 cents, per ordinary share) for the first half of 2018, amounting to approximately RMB144 million and approximately RMB144 million (totalling approximately RMB288 million) respectively.

The interim dividend and interim special dividend will be paid in HK Dollars based on the rate of HKD1.00 = RMB0.87512 being the official exchange rate of HK Dollars against Renminbi as quoted by the People's Bank of China at 14 August 2018. The dividends will be paid on or around 10 September 2018 to shareholders whose names appear on the register of members of the Company on 3 September 2018.

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 30 August 2018 to 3 September 2018 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2018 interim dividend and interim special dividend. In order to qualify for the 2018 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 29 August 2018.

Issue of New Shares to Management Personnel

To incentivize and ensure the long-term service of management personnel of the Company, the Company entered into subscription agreements with 11 and 1 management personnel on 19 January 2018 and on 11 April 2018 respectively.

Pursuant to the subscription agreements, the Company issued 211,310,000 shares in total to the management personnel on 27 April 2018 under general and specific mandates. As at 30 June 2018, the total number of ordinary shares in issue was 5,886,121,025 shares.

On 9 May 2018, the acquisition of 19,370,000 shares in total by the management personnel at their own costs pursuant to the subscription agreements had been completed.

Ms. Chen Chen settled the subscription consideration with her own resources. A total of 11 management personnel and Bright Pacific Enterprises Limited entered into loan agreements on 19 January 2018 and 11 April 2018 respectively for financing the subscriptions consideration. Each of the loans is for a term of 5 years at an interest rate of one month HIBOR +1% per annum (which may be adjusted according to the benchmark interest rate) which is to be paid monthly. The respective subscription loan are secured by both the subscription shares and the acquired shares subscribed for or acquired by the respective management personnel.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days in the first half of 2018 and the first half of 2017 were 42 days and 45 days. Decrease in number of average trade receivable turnover days was mainly due to an increase in revenue.

Average trade payable turnover days in the first half of 2018 and the first half of 2017 were 62 days and 94 days, respectively.

Average inventory turnover days in the first half of 2018 and the first half of 2017 were 193 days and 165 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 100 days and 118 days, respectively in the first half of 2018 as compared to 111 days and 155 days, respectively in the first half of 2017. Average inventory turnover days were 185 days in the first half of 2018 as compared to 172 days in the first half of 2017.

Liquidity and financial resources

As at 30 June 2018, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB947 million, a decrease of RMB597 million as compared to a balance of RMB1,544 million as at 31 December 2017. This decrease was mainly due to:

1) Payment of 2017 final dividend and final special dividend for an aggregate amount of equivalent to approximately RMB259 million;

2) Net cash outflows from operating activities of approximately RMB117 million;

3) Cash outflows from repayment of bank borrowings of an amount of RMB222 million and cash inflows from proceeds from bank borrowings secured of RMB187 million;

4) Investment in other financial assets of approximately RMB1,862 million and cash inflow from partial disposal of financial assets of approximately RMB1,567 million and cash inflow from income distribution of financial assets acquired of RMB112 million;

5) Others of an aggregate outflows amount of RMB3 million.

As at 30 June 2018, net assets attributable to our equity holders was RMB10,087 million (31 December 2017: RMB9,585 million). The Group's current assets exceeded current liabilities by RMB2,972 million (31 December 2017: RMB3,749 million). The Group also had a very strong liquidity position. The current ratio as of 30 June 2018 was 6.1 times (31 December 2017: 5.2 times).

Investments in financial assets

As at 30 June 2018, the Group's current and non-current financial assets at fair value through profit or loss amounted to RMB6,840 million in aggregate, the details of which are as follows:

Shares of listed companies:

Name	**Fair value as at 30 June 2018 RMB' million**	Fair value as at 31 December 2017 RMB' million
Alibaba	**1,975**	2,160
Other listed shares	**513**	336
Total	**2,488**	2,496

Funds of non-listed companies:

Investment projects	**Fair value as at 30 June 2018 RMB' million**	Fair value as at 31 December 2017 RMB' million
Shanghai Rongfu Investment (CITIC Asset Allocation Special Account)	**407**	406
Tibet Ruixintong — Zhongjiaxin REIT	**300**	300
Yuanxin Dongchao — ZC Rubber	**288**	273
Yunfeng Fund USD II	**272**	254
China Top Credit Microcredit	**212**	0
Jiashi Investment Preferred Cornerstone — JD Finance	**197**	198
Yunfeng Fund RMB II (Yunfeng Xinchuang)	**174**	163
CPE Overseas Special Account (CITIC Asset Allocation Special Account)	**166**	0
Yunfeng Fund RMB IV (Yunfeng Lintai)	**132**	0
CITIC Mezzanine Fund I	**127**	132
Yunfeng Fund RMB III (Yunfeng Xincheng)	**113**	100
Hongtai Growth Fund (Angel Plus)	**108**	63
Fuqing Linsheng III — Ant Financial	**102**	0
Jiashi Investment Preferred Fund II.3 — JD Finance	**100**	105
Jingyi Fund — Ant Financial	**99**	48
COCHELLA H. FUND, L.P. — Anneng Convertible Bond	**99**	0
Chishan Fund — WeBank	**93**	84
Hangzhou Hanyun Xinling (Ali new retail fund)	**90**	1
Xiaocun Industry Fund — Shandong Huapeng Dingzeng	**84**	80
Jiaxing Daotong	**76**	76
Others	**952**	601
Total	**4,191**	2,884

Others:

Investment projects	**Fair value as at 30 June 2018 RMB' million**	Fair value as at 31 December 2017 RMB' million
Investment products and others issued by commercial banks	**161**	1,115

Since 1 January 2018, the Group has adopted IFRS 9: Financial Instruments to measure our financial assets. For further details, please refer to note 3 set out in "notes to the condensed consolidated interim financial information".

Pledge of assets

As at 30 June 2018, the Group had approximately RMB286 million (31 December 2017: RMB391 million) in banks as guarantee deposit for the issue of letters of credit and loans.

Capital commitments and contingencies

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 2018, the Group paid a capital contribution of USD9 million with remaining balance of USD1 million (equivalent to approximately RMB7 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 2018, 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 2018, the Group paid a capital contribution of RMB8 million with remaining balance of RMB12 million as capital commitments.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Hanyun Xinling Investment LLP. (杭州瀚雲新領股權投資基金合夥企業(有限合夥)), with a total capital commitment of RMB300 million. As at 30 June 2018, the Group paid a capital contribution of RMB91 million with remaining balance of RMB209 million as capital commitments.

In August 2017, the Group entered into a limited partnership agreement with Hangzhou Yuzhong Venture Capital Investment Fund Partnership (Limited Partnership) (杭州宇仲創業投資合夥企業(有限合夥)), with a total capital commitment of RMB60 million. As at 30 June 2018, the Group paid a capital contribution of RMB30 million with remaining balance of RMB30 million as capital commitments.

In November 2017, the Group entered into a limited partnership agreement with Sequoia Huisheng Equity Investment Fund Partnership (Limited Partnership) (紅杉慧盛股權投資合夥企業(有限合夥)), with a total capital commitment of RMB50 million. As at 30 June 2018, the Group paid a capital contribution of RMB30 million with remaining balance of RMB20 million as capital commitments.

In February 2018, the Group entered into a limited partnership agreement with Yunfeng Fund III (雲鋒基金III), with a total capital commitment of US$20 million. As at 30 June 2018, the Group paid a capital contribution of US$10 million with remaining balance of US$10 million (equivalent to approximately RMB66 million) as capital commitments.

In June 2018, the Group entered into a limited partnership agreement with Shanghai Yunfeng Qitai Investment Centre LLP. (上海雲峰麒泰投資中心(有限合夥)), with a total capital commitment of RMB200 million. As at 30 June 2018, the Group paid a capital contribution of RMB132 million with remaining balance of RMB68 million as capital commitments.

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 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. As the financial statements of the Group's Japan segment are measured in Japanese yen, and a larger proportion of the investment assets are measured in US Dollars or Hong Kong Dollars, fluctuations in the exchange rates of the US Dollar, Hong Kong Dollar and Japanese yen against Renminbi will make an impact to the Group's net assets, income and net profit. etc. The Group will closely monitor the trend of the relevant currency exchange rates and, if necessary, adopt reasonable measures to maintain exchange rate risk at an acceptable level.

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 2018.

1. 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 2018, none of the Restricted Shares were granted to any eligible participant pursuant to the Restricted Share Award Scheme. As at 30 June 2018, 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 2018, the number of restricted shares are 23,050,071 shares. As at 30 June 2018, 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.

2. DISCLOSURE OF INTEREST

(a) Directors' Interests in securities

As at 30 June 2018, 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:

		Number and class of securities		Approximate percentage of total issued
Name of Directors	**Nature of interest**	**Long position**	**Short position**	**Shares**
Mr. Chen Yihong	Interest of a controlled corporation(1)	2,249,387,000 shares	—	38.22%
	Interest of a controlled corporation(3)	332,090,025 shares	—	5.64%
Mr. Zhang Zhiyong	Beneficial owner(3)	166,120,025 shares	—	2.82%
Ms. Chen Chen	Interest of a controlled corporation(2)	116,944,100 shares	—	1.99%
	Beneficial owner	40,000,000 shares	—	0.68%

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 Trustee 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.

(3) 332,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, BOS Trustee Limited, Billion Giant, Talent Rainbow, Poseidon and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

Save as disclosed above, as at 30 June 2018, 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 2018, 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		Approximate percentage of shareholding
		Long position	Short position	
Poseidon Sports Limited	Corporate interest	2,249,387,000	—	38.22%
	Interest in a controlled corporation(2)	332,090,025	—	5.64%
Talent Rainbow Far East Limited(1)	Interest in a controlled corporation	2,249,387,000	—	38.22%
	Interest in a controlled corporation(2)	332,090,025	—	5.64%
Harvest Luck Development Limited(1)	Interest in a controlled corporation	2,249,387,000	—	38.22%
	Interest in a controlled corporation(2)	332,090,025	—	5.64%
Billion Giant Development Limited(1)	Interest in a controlled corporation	2,249,387,000	—	38.22%
	Interest in a controlled corporation(2)	332,090,025	—	5.64%
BOS Trustee Limited(1)	Interest in a controlled corporation	2,249,387,000	—	38.22%
	Interest in a controlled corporation(2)	332,090,025	—	5.64%

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 Trustee 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) 332,090,025 shares (out of which 166,090,025 shares are held by Mr. Zhang Zhiyong) have been charged to Bright Pacific Enterprises Limited ("Bright Pacific"). Each of Mr. Chen Yihong, Harvest Luck, BOS Trustee Limited, Billion Giant, Talent Rainbow, Poseidon and the Company is deemed to be interested in the shares interested in by Bright Pacific by virtue of Bright Pacific being a wholly owned subsidiary of the Company and Poseidon being entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of the Company.

Save as disclosed above, as at 30 June 2018, 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.

3. 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 deviation:

(i) 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 provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yihong (chairman), Dr. Chen Guogang and Mr. Gao Yu (independent non-executive directors) could not attend the extraordinary general meeting of the Company held on 26 March 2018 and the annual general meeting of the Company held on 10 May 2018 due to important business appointments. However, the other executive director and the other independent non-executive director of the Company had attended the annual general meeting and had 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 2017.

4. 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.

5. 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 2018.

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 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".

6. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

7. CHANGE OF FINANCIAL YEAR END DATE

Pursuant to the announcement of the Company dated 4 July 2018, the financial year end date of the Company has been changed from 31 December to 31 March. Accordingly the next financial year end date of the Company will be 31 March 2019 and the next published audited financial statements of the Company will cover a 15-month period from 1 January 2018 to 31 March 2019.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 Restated RMB'000
Revenue	5	**771,859**	674,660
Cost of sales	7	**(321,388)**	(261,693)
Reversal of/(provision for) impairment of inventories — net	7	**11,799**	(23,099)
Gross profit		**462,270**	389,868
Distribution expenses	7	**(332,841)**	(265,456)
Administrative expenses	7	**(86,950)**	(77,802)
Reversal of impairment losses on financial assets — net	7	**5,542**	23,276
Other gains — net	6	**503,489**	557,236
Operating profit		**551,510**	627,122
Finance income	8	**17,470**	7,457
Finance expenses	8	**(12,060)**	(36,985)
Finance income/(expenses) — net	8	**5,410**	(29,528)
Share of post-tax losses of joint ventures and associates accounted for using the equity method		**(1,266)**	(1,049)
Profit before income tax		**555,654**	596,545
Income tax expense	9	**(77,217)**	(63,852)
Profit for the period		**478,437**	532,693
Profit attributable to:			
— Owners of the Company		**481,038**	536,015
— Non-controlling interests		**(2,601)**	(3,322)
		478,437	532,693

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June **2018** **RMB'000**	 2017 Restated RMB'000
Profit for the period (continued)		**478,437**	532,693
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		**—**	459,553
— Currency translation differences		**51,711**	(60,939)
Total items that may be reclassified subsequently to profit or loss		**51,711**	398,614
Other comprehensive income, net of tax		**51,711**	398,614
Total comprehensive income for the period		**530,148**	931,307
Total comprehensive income for the period attributable to:			
— Owners of the Company		**532,749**	934,629
— Non-controlling interests		**(2,601)**	(3,322)
		530,148	931,307
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)			
— Basic and diluted earnings per share	10	**8.40**	9.72

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Balance Sheet

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 Restated RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**101,990**	97,168
Lease prepayments	13	**10,723**	10,866
Intangible assets	14	**218,561**	222,063
Investments accounted for using the equity method		**123,647**	120,703
Available-for-sale financial assets		**—**	4,850,968
Financial assets at fair value through profit or loss	15	**6,090,519**	119,167
Deferred income tax assets		**148,869**	138,198
Other financial assets at amortised cost	18	**898,247**	700,519
Other assets		**14,771**	28,048
Total non-current assets		**7,607,327**	6,287,700
Current assets			
Inventories		**333,035**	321,021
Trade receivables	16	**205,467**	234,194
Available-for-sale financial assets		**—**	212,412
Other current assets		**76,912**	100,758
Financial assets at fair value through profit or loss	15	**749,278**	322,846
Other financial assets at amortised cost	18	**1,242,800**	1,898,798
Restricted cash		**285,978**	390,859
Term deposits with initial terms over three months and within one year		**102,092**	100,899
Cash and bank balances		**558,545**	1,051,865
Total current assets		**3,554,107**	4,633,652
Total assets		**11,161,434**	10,921,352

Interim Condensed Consolidated Balance Sheet

As at 30 June 2018

	Note	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 Restated RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	**1,090,005**	861,165
Shares held for employee share scheme		**(196)**	(196)
Reserves		**8,997,655**	8,724,395
Capital and reserves attributable to the owners of the Company		**10,087,464**	9,585,364
Non-controlling interests		**15,143**	13,295
Total equity		**10,102,607**	9,598,659
LIABILITIES			
Non-current liabilities			
Borrowings	20	**277,957**	274,497
Deferred income tax liabilities		**199,092**	163,287
		477,049	437,784
Current liabilities			
Derivative		**1,051**	58,672
Contract liabilities		**18,694**	58,308
Borrowings	20	**193,880**	228,697
Trade payables	17	**113,087**	152,079
Accruals and other payables		**220,254**	264,661
Provisions		**6,000**	15,571
Current income tax liabilities		**28,812**	106,921
		581,778	884,909
Total liabilities		**1,058,827**	1,322,693
Total equity and liabilities		**11,161,434**	10,921,352

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2016 as originally presented		53,589	659,018	(196)	1,441,281	7,503,817	9,657,509	17,013	9,674,522
Change in accounting policies		—	—	—	—	—	—	—	—
Restated total equity at 1 January 2017		53,589	659,018	(196)	1,441,281	7,503,817	9,657,509	17,013	9,674,522
Comprehensive income									
Profit for the period (restated)		—	—	—	—	536,015	536,015	(3,322)	532,693
Other comprehensive income									
Disposals-fair value reclassified to income statement		—	—	—	(630)	630	—	—	—
Fair value change of available-for-sale financial assets after netting off the impact of deferred tax liabilities		—	—	—	459,553	—	459,553	—	459,553
Currency translation difference		—	—	—	(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
Transaction with owners									
Dividends relating to 2016 declared and paid in the current period		—	—	—	954	(235,398)	(234,444)	—	(234,444)
Total contribution by and distribution to owners of the Company, recognised directly in equity		—	—	—	954	(235,398)	(234,444)	—	(234,444)
Total transactions with owners, recognised directly in equity		—	—	—	954	(235,398)	(234,444)	—	(234,444)
Balance at 30 June 2017		53,589	659,018	(196)	1,840,219	7,805,064	10,357,694	13,691	10,371,385

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

		Unaudited							
		Attributable to equity holders of the Company							
	Note	Share capital RMB'000	Share premium account RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 31 December 2017 as originally presented		54,768	806,397	(196)	1,939,167	6,785,228	9,585,364	13,295	9,598,659
Change in accounting policies	3(a)	—	—	—	(1,957,344)	1,957,344	—	—	—
Restated total equity at 1 January 2018		54,768	806,397	(196)	(18,177)	8,742,572	9,585,364	13,295	9,598,659
Comprehensive income									
Profit for the period		—	—	—	—	481,038	481,038	(2,601)	478,437
Currency translation difference		—	—	—	51,711	—	51,711	—	51,711
Total comprehensive income		—	—	—	51,711	481,038	532,749	(2,601)	530,148
Issuance of new ordinary shares	19	1,698	227,142	—	—	—	228,840	—	228,840
Dividends relating to 2017 declared and paid in the current period		—	—	—	—	(259,489)	(259,489)	—	(259,489)
Total contribution by and distribution to owners of the Company, recognised directly in equity		1,698	227,142	—	—	(259,489)	(30,649)	—	(30,649)
Non-controlling interest on acquisition of a subsidiary		—	—	—	—	—	—	4,449	4,449
Total transactions with owners, recognised directly in equity		1,698	227,142	—	—	(259,489)	(30,649)	4,449	(26,200)
Balance at 30 June 2018		56,466	1,033,539	(196)	33,534	8,964,121	10,087,464	15,143	10,102,607

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Note	Unaudited Six months ended 30 June 2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Cash generated from operations		**4,925**	38,575
Interest received		**8,274**	2,960
Income tax paid		**(130,192)**	(48,249)
Net cash used in operating activities		**(116,993)**	(6,714)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8,649)**	(12,516)
Purchase of intangible assets		**(1,414)**	(3,840)
Decrease in term deposits with initial terms over three months		**(1,193)**	2,848
Proceeds from disposal of property, plant and equipment and intangible assets		**538**	—
Increase in investments in available-for-sale financial assets		**—**	(528,674)
Increase in financial assets at fair value through profit or loss		**(1,542,716)**	(361,237)
Proceeds from disposal of available-for-sale financial assets		**—**	912,266
Proceeds from disposal of other financial assets		**—**	1,029,192
Proceeds from disposal of financial assets at fair value through profit or loss		**1,566,732**	424,855
(Settlement of)/proceeds from call options and put options — net		**(13,307)**	17,322
Increase in loans receivables		**(318,894)**	(892,635)
Dividend received from available-for-sale financial assets		**—**	25,507
Interest received from other financial assets at amortised cost		**53,754**	46,084
Dividend and investment income from financial assets at fair value through profit or loss		**58,392**	28,219
Income tax paid related to investment		**—**	(37,782)
Payment for acquisition of an associate		**(5,000)**	—
Payment for acquisition of a subsidiary, net of cash acquired		**(6,904)**	—
Net cash (used in)/generated from investing activities		**(218,661)**	649,609
Cash flows from financing activities			
Dividends paid	11	**(259,489)**	(233,517)
Proceeds from bank borrowings		**187,188**	—
Repayment of bank borrowings		**(221,708)**	(226,690)
Interest paid		**(10,474)**	(6,547)
Proceeds from issuance of ordinary shares		**40,145**	—
Decrease in restricted cash		**104,881**	6,640
Net cash used in financing activities		**(159,457)**	(460,114)
Net (decrease)/increase in cash and cash equivalents		**(495,111)**	182,781
Cash and cash equivalents at the beginning of the period		**1,051,865**	1,713,464
Exchange gains/(losses) on cash and cash equivalents		**1,791**	(28,429)
Cash and cash equivalents at end of the period		**558,545**	1,867,816

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2018

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.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months reporting period ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS34").

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*, and
- IFRS 15 *Revenue from Contracts with Customers*.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3 below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

2 BASIS OF PREPARATION (CONTINUED)

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

(i) 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 recognised. 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 RMB52,762,000. 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.

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

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting IFRS 9. The reclassification and adjustments are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group has adopted IFRS 15 using the full retrospective approach and has restated comparatives for the 2017 financial year.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (Continued)

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Balance sheet (extract)	31 Dec 2017 As originally presented RMB'000	IFRS 15 RMB'000	31 Dec 2017 Restated RMB'000	IFRS 9 RMB'000	1 January 2018 Restated RMB'000
Non-current assets					
Available-for-sale financial assets	4,850,968	—	4,850,968	(4,850,968)	—
Financial assets at fair value through profit or loss	119,167	—	119,167	4,850,968	4,970,135
Prepayments, deposits and other receivables	728,567	(728,567)	—	—	—
Other financial assets at amortised cost	—	700,519	700,519	—	700,519
Other assets	—	28,048	28,048	—	28,048
Current assets					
Prepayments, deposits and other receivables	1,977,022	(1,977,022)	—	—	—
Available-for-sale financial assets	212,412	—	212,412	(212,412)	—
Financial assets at fair value through profit or loss	322,846	—	322,846	1,302,273	1,625,119
Other financial assets at amortised cost	—	1,898,798	1,898,798	(1,089,861)	808,937
Other current assets	—	100,758	100,758	—	100,758
Total assets	**10,898,818**	**22,534**	**10,921,352**	**—**	**10,921,352**
Current liabilities					
Accruals and other payables	287,649	(22,988)	264,661	—	264,661
Provisions	28,357	(12,786)	15,571	—	15,571
Contract liabilities	—	58,308	58,308	—	58,308
Total liabilities	**1,300,159**	**22,534**	**1,322,693**	**—**	**1,322,693**
Net assets	**9,598,659**	**—**	**9,598,659**	**—**	**9,598,659**
Reserves	8,724,395	—	8,724,395	—	8,724,395
Total equity	**9,598,659**	**—**	**9,598,659**	**—**	**9,598,659**

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (Continued)

Statement of comprehensive income (extract) — six months ended to 30 June 2017	**As originally presented** RMB'000	**IFRS 9** RMB'000	**IFRS 15** RMB'000	**Restated** RMB'000
Revenue	626,334	—	48,326	674,660
Gross profit	341,542	—	48,326	389,868
Reversal of impairment losses on financial assets — net	—	23,276	—	23,276
Distribution expenses	(217,130)	—	(48,326)	(265,456)
Administrative expenses	(54,526)	(23,276)	—	(77,802)

(b) IFRS 9 Financial Instruments — Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in note 3(c) below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's retained earnings as at 1 January 2018 is as follows:

	Note	**Retained earnings** RMB'000
Balance as at 31 December 2017 — IAS 39/IAS 18		6,785,228
Reclassify investments from available-for-sale to financial assets at fair value through profit or loss ("FVPL")	(i)	1,957,344
Balance as at 1 January 2018 — IFRS 9		8,742,572

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments — Impact of adoption (Continued)

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets — 1 January 2018	Note	FVPL RMB'000	FVOCI (Available-for-sale 2017) RMB'000	Amortised cost (other receivables 2017) RMB'000
Balance as at 31 December 2017 — IAS 39		442,013	5,063,380	1,089,861
Reclassify investments from available-for-sale to FVPL	(a)	5,063,380	(5,063,380)	—
Reclassify wealth management products from other receivables to FVPL	(b)	1,089,861	—	(1,089,861)
Balance as at 1 January 2018 — IFRS 9		6,595,254	—	—

The impact of these changes on the Group's equity is as follows:

	Note	Effect on other reserves RMB'000	Effect on retained earnings RMB'000
Balance as at 31 December 2017 — IAS 39		1,939,167	6,785,228
Reclassify investments from available-for-sale to FVPL	(a)	(1,957,344)	1,957,344
Balance as at 1 January 2018 — IFRS 9		(18,177)	8,742,572

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments — Impact of adoption (Continued)

(i) Classification and measurement (Continued)

(a) Equity investments previously classified as available-for-sale

The Group elected to present in profit or loss changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of RMB5,063,380,000 were reclassified from available-for-sale financial assets to FVPL and accumulated fair value gains preciously recognised in other reserves of RMB1,957,344,000 were reclassified from other reserves to retained earnings.

(b) Reclassification from other receivables to FVPL

Investments in wealth management products were reclassified from other receivables (after bifurcating the embedded derivatives) to financial assets at FVPL (RMB1,089,861,000 as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables, and
- other financial assets at amortised cost

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity was immaterial.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2018

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments — Impact of adoption (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, there was no significant increase in the loss allowance for trade receivables which will be adjusted to the beginning balance of retained earnings in 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Other financial assets at amortised cost

Other financial assets at amortised cost include loans receivables, loans to related parties and management personnel and other receivables. Applying the expected credit risk model. But no significant increase in the loss allowance in the six months ended 30 June 2018.

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) — net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses) — net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) — net and impairment expenses are presented as separate line item in the statement of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) — net in the period in which it arises.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments — Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other gains/(losses) — net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) — net in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) IFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

		IAS 18 carrying amount 31 December 2017	**Reclassi-fication**	**Remeasure-ments**	**IFRS 15 carrying amount 1 January 2018**
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Prepayments, deposits and other receivables	(iii)	728,567	(728,567)	—	—
Other financial assets at amortised cost	(iii)	—	700,519	—	700,519
Other assets	(iii)	—	28,048	—	28,048
Current assets					
Prepayments, deposits and other receivables	(iii)	1,977,022	(1,977,022)	—	—
Other financial assets at amortised cost	(iii)	—	1,898,798	—	1,898,798
Other current assets	(i), (iii)	—	78,224	22,534	100,758
Current Liabilities					
Accruals and other payables	(i), (iii)	287,649	(58,308)	35,320	264,661
Provisions	(i), (iii)	28,357	—	(12,786)	15,571
Contract liabilities	(iii)	—	58,308	—	58,308

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) IFRS 15 Revenue from Contracts with Customers — Impact of adoption (Continued)

There was no impact on the Group's retained earnings as at 1 January 2018 and 1 January 2017:

(i) Accounting for refunds

When the customer has a right to return the product within a given period, the Group is obliged to refund the purchase price. Under IAS 18, the expected value of the returns were recognised by the Group as a reduction of revenue and cost of sales were adjusted for the value of the corresponding goods expected to be returned. In respect to the presentation in balance sheet, the Group previously recognised a provision for returns which was measured on a net basis at the margin on the sale (RMB12,786,000 at 31 December 2017).

Under IFRS 15, a refund liability for the expected refunds to customers is recognised as adjustment to accruals and other payables (RMB35,320,000 at 1 January 2018). At the same time, the Group has a right to recover the product from the customer where the customer exercises his right of return and recognises an asset and a corresponding adjustment to cost of sales (RMB22,534,000 at 1 January 2018). The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material because the customer usually returns the product in a saleable condition at the store.

To reflect this change in policy, the Group has reclassified RMB12,786,000 from provisions to accruals and other payables and additionally recognised accruals and other payables and other current assets of RMB22,534,000 on 1 January 2018.

(ii) Accounting for reclassification between revenue and distribution expenses

Under IFRS 15, the Group changes the presentation for revenue from a net basis to a gross basis for certain retail sales. As a consequence, revenue and distribution expenses for the six months ended 30 June 2017 increased by RMB48,326,000. For the six months ended 30 June 2018, revenue and distribution expenses increased by RMB56,699,000.

(iii) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of IFRS 15 and IFRS 9:

- Contract liabilities in relation to customer loyalty programme were previously included in accruals and other payables. (RMB58,308,000 as at 1 January 2018).

- Accruals and other payables relating to refund liabilities were previously presented in current provisions (RMB12,786,000 as at 1 January 2018).

- Other current receivables and prepayments were previously presented together as prepayments, deposits and other receivables but are now presented as other financial assets at amortised cost (receivables) and other current assets (prepayments) in the balance sheet, to reflect their different nature.

3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) IFRS 15 Revenue from Contracts with Customers — Accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Sales of goods — wholesale

The Group manufactures and sells a range of sport-related apparels, footwears and accessories to its distributors in China and Japan. Sales of goods are recognised when control of the products has transferred, being when products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Certain distributors are entitled to return goods or additional sales discounts in accordance with agreements between the Group and its distributors. Therefore, a refund liability (included in accruals and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Management estimates the quantities of goods returns and additional sales discounts based on historical experience and makes provision accordingly. Revenue is recognised to the extent of goods delivered less estimated goods returns and sales discounts.

(ii) Sale of goods — retail

The Group operates a chain of retail shops and outlets for selling sport apparels, footwears and accessories in China and Japan. Sales of goods are recognised when the Group sells a product to customers. Retail sales are usually in cash or by credit card.

Revenue from the provision of the sale of goods on the internet is recognised at the point that the control of the products has transferred, which is the point of acceptance by the customers. Transactions are settled by cash, credit card or through third party on-line payment platforms.

(iii) Sale of goods — consignment sales

Consignment sales are the sales of goods of the Group under which the recipient undertakes to sell the goods on behalf of the Group. Revenue is recognised by the Group when the goods are sold by the recipient to a third party.

(iv) Royalty income

Royalty income is recognised in the condensed consolidated statement of comprehensive income on an accrual basis in accordance with the substance of the relevant agreements.

4 ESTIMATES

The preparation of the condensed consolidated interim financial information 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 the condensed consolidated interim financial information, 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 2017.

5 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.

5 SEGMENT INFORMATION (CONTINUED)

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 comprehensive income.

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 2018 and 2017, respectively are as follows:

	Unaudited			
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
Six months ended 30 June 2018				
Total revenue before inter-segment elimination	657,001	125,825	—	782,826
Inter-segment revenue	(7,755)	(3,212)	—	(10,967)
Revenue from external customers	649,246	122,613	—	771,859
Cost of goods sold	(250,505)	(70,883)	—	(321,388)
Reversal of impairment losses of inventories	4,777	7,022	—	11,799
Segment gross profit	403,518	58,752	—	462,270
Other gains, net	12,860	1,008	489,621	503,489
Segment operating profit/(loss)	91,559	(17,979)	477,930	551,510
Finance income	15,859	1,611	—	17,470
Finance expenses	(9,792)	(1,170)	(1,098)	(12,060)
Share of profit or loss of investments accounted for using the equity method	596	(972)	(890)	(1,266)
Profit/(loss) before income tax	98,222	(18,510)	475,942	555,654
Income tax expense	(23,393)	(484)	(53,340)	(77,217)
Profit/(loss) for the period	74,829	(18,994)	422,602	478,437
Material items of income and expense				
Depreciation and amortisation	9,218	2,169	—	11,387
Reversal of impairment losses on financial assets — net	(3,298)	(2,244)	—	(5,542)
Advertising and selling expenses	221,669	18,513	—	240,182

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

5 SEGMENT INFORMATION (CONTINUED)

	Unaudited			
	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
Six months ended 30 June 2017 (Restated)				
Total revenue before inter-segment elimination	567,924	109,757	—	677,681
Inter-segment revenue	(1,946)	(1,075)	—	(3,021)
Revenue from external customers	565,978	108,682	—	674,660
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	360,379	29,489	—	389,868
Other gains, net	3,529	1,735	551,972	557,236
Segment operating profit/(loss)	127,300	(45,015)	544,837	627,122
Finance income	7,451	6	—	7,457
Finance expenses	(36,946)	(39)	—	(36,985)
Share of profit or loss of investments accounted for using the equity method	1,353	(784)	(1,618)	(1,049)
Profit/(loss) before income tax	99,158	(45,832)	543,219	596,545
Income tax expense	(33,756)	(454)	(29,642)	(63,852)
Profit/(loss) for the period	65,402	(46,286)	513,577	532,693
Material items of income and expense				
Depreciation and amortisation	8,479	2,034	—	10,513
Reversal of impairment losses on financial assets — net	(19,875)	(3,401)	—	(23,276)
Advertising and selling expenses	155,796	18,676	—	174,472

5 SEGMENT INFORMATION (CONTINUED)

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

	Unaudited Six months ended 30 June	
	2018	2017
		Restated
	RMB'000	RMB'000
China		
— Distribution of Kappa Brand products	**210,806**	229,390
— Retailing of Kappa Brand products	**357,971**	283,914
— Children's wear of Kappa Brand products	**49,811**	43,065
— International business and others	**30,658**	9,609
	649,246	565,978
Japan		
— Distribution and retailing of Kappa Brand products	**61,261**	67,850
— Distribution and retailing of Phenix Brand products	**61,352**	40,832
	122,613	108,682
Turnover	**771,859**	674,660

5 SEGMENT INFORMATION (CONTINUED)

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

	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
As at 30 June 2018				
Interests in investments accounted for using the equity method	51,287	13,485	58,875	123,647
Financial assets at fair value through profit or loss	—	—	6,839,797	6,839,797
Deferred income tax assets	148,869	—	—	148,869
Other assets	1,344,133	234,558	2,628,633	4,207,324
Total assets before inter-segment elimination	1,544,289	248,043	9,527,305	11,319,637
Inter-segment elimination	(144,683)	(13,520)	—	(158,203)
Segment assets	1,399,606	234,523	9,527,305	11,161,434
Deferred income tax liabilities	—	3,557	195,535	199,092
Current income tax liabilities	28,180	632	—	28,812
Other liabilities	581,745	155,914	194,931	932,590
Total liabilities before inter-segment elimination	609,925	160,103	390,466	1,160,494
Inter-segment elimination	(13,545)	(88,122)	—	(101,667)
Segment liabilities	596,380	71,981	390,466	1,058,827

5 SEGMENT INFORMATION (CONTINUED)

	China — Apparel RMB'000	Japan — Apparel RMB'000	Investment RMB'000	Total RMB'000
As at 31 December 2017 (Restated)				
Interests in investments accounted for using the equity method	47,214	14,457	59,032	120,703
Available-for-sale financial assets	—	—	5,063,380	5,063,380
Deferred income tax assets	138,198	—	—	138,198
Other assets	1,523,529	295,131	3,881,442	5,700,102
Total assets before inter-segment elimination	1,708,941	309,588	9,003,854	11,022,383
Inter-segment elimination	(97,540)	(3,491)	—	(101,031)
Segment assets	1,611,401	306,097	9,003,854	10,921,352
Deferred income tax liabilities	131,552	3,587	28,148	163,287
Current income tax liabilities	105,788	1,133	—	106,921
Other liabilities	668,806	151,542	333,168	1,153,516
Total liabilities before inter-segment elimination	906,146	156,262	361,316	1,423,724
Inter-segment elimination	(55,854)	(45,177)	—	(101,031)
Segment liabilities	850,292	111,085	361,316	1,322,693

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2018

6 OTHER GAINS — NET

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
(Loss)/gain on disposal of financial assets at fair value through profit or loss	**(21,859)**	18,598
Gain on disposal of available-for-sale financial assets	**—**	435,689
Investment income from financial assets	**40,961**	53,726
Interest income from loans receivables	**53,754**	46,084
Change in fair value of financial instruments	**412,008**	(2,125)
Government subsidy income	**10,519**	6,284
Royalty income	**1,971**	1,402
Other gain/(loss)	**6,135**	(2,422)
	503,489	557,236

7 EXPENSES BY NATURE

The expenses included in cost of goods sold, reversal of/(provision for) impairment of inventories — net, distribution expense, administrative expenses and reversal of impairment losses on financial assets — net are analysed as follows:

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cost of inventories recognised as cost of goods sold	**321,388**	261,693
Advertising and selling expenses	**240,182**	174,472
Employee salary and benefit expenses	**79,256**	66,335
Logistic fees	**27,966**	29,668
(Reversal of)/provision for impairment of inventories — net	**(11,799)**	23,099
Product design and development expenses	**18,966**	18,449
Operating lease in respect of buildings	**14,430**	12,536
Depreciation of property, plant and equipment, lease prepayments and intangible assets	**11,387**	10,513
Legal and consulting expenses	**3,609**	7,739
Travelling expenses	**5,829**	6,183
Auditors' remuneration	**1,500**	1,250
Reversal of impairment losses on financial assets — net	**(5,542)**	(23,276)
Others	**16,666**	16,113
	723,838	604,774

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2018

8 FINANCE INCOME, FINANCE EXPENSES

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Finance income:		
— Foreign exchange gain, net	**9,196**	—
— Interest income	**8,274**	7,457
	17,470	7,457
Finance expenses:		
— Interest expenses	**(10,474)**	(4,970)
— Foreign exchange losses, net	**—**	(30,310)
— Others	**(1,586)**	(1,705)
	(12,060)	(36,985)
Finance income/(expenses), net	**5,410**	(29,528)

9 INCOME TAX EXPENSE

	Unaudited Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Current income tax		
— PRC corporate income tax ("CIT")	**51,599**	70,680
— Taxation in Japan	**484**	514
Deferred income tax	**25,134**	(7,342)
	77,217	63,852

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual 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 2018 (2017: nil).

9 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 RMB27,557,000 (2017: RMB24,784,000) in relation to the undistributed profit for six months period ended 30 June 2018 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 2018 applicable to this subsidiary was 15% for the taxable income part less than JPY10,000,000 and 23.4% for the taxable income part over JPY10,000,000 (2017: 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 2018 (2017: nil), the subsidiary was subject to the minimum inhabitant tax payments.

10 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	
	2018	2017
Profit attributable to owners of the Company (RMB'000)	**481,038**	536,015
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme (thousands)	**5,727,646**	5,513,351
Basic earnings per share (RMB cents per share)	**8.40**	9.72

(b) Diluted

No diluted earnings per share have been presented since there was no potential diluted ordinary share as at 30 June 2018.

11 DIVIDENDS

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Interim dividend of RMB2.45 cent per share (2017: RMB2.90 cents per share)	**144,210**	160,556
Interim special dividend of RMB2.45 cent per share (2017: RMB20.22 cents per share)	**144,210**	1,119,460
	288,420	1,280,016

Pursuant to a resolution passed on 15 August 2018, the board of directors declared an interim dividend and an interim special dividend of RMB2.45 cents and RMB2.45 cents per share, respectively (2017: RMB2.90 cents and RMB20.22 cents per share), totalling RMB4.90 cents, to be distributed from the retained earnings of the Company. The aggregated interim dividend and interim special dividend, amounting to RMB288,420,000 (2017: RMB1,280,016,000) 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 2018.

During the six months period ended 30 June 2018, the 2017 final dividends of RMB259,489,000 (2017: RMB234,444,000) was paid, net of the dividends of RMB1,026,000 (2017: RMB954,000) to the shares held for Restricted Share Award Scheme.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

12 PROPERTY, PLANT AND EQUIPMENT

Six months ended 30 June 2018	Unaudited RMB'000
Opening amount as at 1 January 2018	**97,168**
Additions	**8,710**
Disposals	**(844)**
Depreciation (Note 7)	**(5,842)**
Exchange difference	**2,798**
Closing amount as at 30 June 2018	**101,990**

Six months ended ended 30 June 2018	Unaudited RMB'000
Cost	**213,920**
Accumulated depreciation	**(111,930)**
Net book amount	**101,990**

Six months ended 30 June 2017	Unaudited RMB'000
Opening amount as at 1 January 2017	68,666
Additions	10,072
Disposals	(1,009)
Depreciation (Note 7)	(4,527)
Exchange difference	917
Closing amount as at 30 June 2017	74,119

Year ended 30 June 2017	Unaudited RMB'000
Cost	186,309
Accumulated depreciation	(112,190)
Net book amount	74,119

13 LEASE PREPAYMENTS

Six months ended 30 June 2018	Unaudited RMB'000
Opening amount as at 1 January 2018	**10,866**
Amortisation (Note 7)	**(143)**
Closing amount as at 30 June 2018	**10,723**

As at 30 June 2018	Unaudited RMB'000
Cost	**14,262**
Accumulated amortisation	**(3,539)**
Net book amount	**10,723**

Six months ended 30 June 2017	Unaudited RMB'000
Opening amount as at 1 January 2017	11,151
Amortisation (Note 7)	(142)
Closing amount as at 30 June 2017	11,009

As at 30 June 2017	Unaudited RMB'000
Cost	14,262
Accumulated amortisation	(3,253)
Net book amount	11,009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

14 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 2018				
Opening amount as at 1 January 2018	**210,142**	**6,957**	**4,964**	**222,063**
Additions	**—**	**—**	**1,414**	**1,414**
Exchange difference	**473**	**—**	**13**	**486**
Amortisation (Note 7)	**(3,760)**	**(108)**	**(1,534)**	**(5,402)**
Closing amount as at 30 June 2018	**206,855**	**6,849**	**4,857**	**218,561**
Year ended 30 June 2018				
Cost	**406,031**	**8,605**	**75,692**	**490,328**
Accumulated amortisation	**(199,176)**	**(1,756)**	**(70,835)**	**(271,767)**
Net book amount	**206,855**	**6,849**	**4,857**	**218,561**
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 7)	(3,762)	(108)	(1,974)	(5,844)
Closing amount as at 30 June 2017	214,510	7,064	5,780	227,354
Year ended 30 June 2017				
Cost	396,094	8,605	73,620	478,319
Accumulated amortisation	(181,584)	(1,541)	(67,840)	(250,965)
Net book amount	214,510	7,064	5,780	227,354

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under IFRS 9. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2018 and 31 December 2017 on a recurring basis:

At 30 June 2018	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Unlisted equity securities	—	—	4,211,151	4,211,151
— Listed equity securities	2,372,642	—	3,210	2,375,852
— Preference shares	66,214	—	—	66,214
— Perpetual bonds	49,296	—	—	49,296
— Wealth management product	—	—	137,284	137,284
Total financial assets	2,488,152	—	4,351,645	6,839,797
Financial liabilities				
Derivatives	(1,051)	—	—	(1,051)

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value hierarchy (Continued)

At 31 December 2017	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Unlisted equity securities	—	—	100,000	100,000
— Listed equity securities	217,616	—	5,230	222,846
— Preference shares	66,869	—	—	66,869
— Perpetual bonds	52,298	—	—	52,298
Available-for-sale financial assets				
— Unlisted equity securities	—	—	2,903,830	2,903,830
— Listed equity securities	2,159,550	—	—	2,159,550
Total financial assets	2,496,333	—	3,009,060	5,505,393
Financial liabilities				
Derivatives	(42,908)	—	(15,764)	(58,672)

The Group analyses the financial instruments carried at fair value, by valuation method. The difference level have been define as follow:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 mainly include investments in common shares of a US listed company and HK listed companies, and preferred shares of a HK listed company.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of the remaining financial instruments is determined using discounted cash flow analysis, price of recent investment method and NAV report method.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2018.

	Equity securities RMB'000	Financial assets designated at fair value through profit RMB'000	Derivatives RMB'000	Others RMB'000	Total RMB'000
Balance as at 31 December 2017 as originally presented	2,909,060	100,000	(15,764)	—	2,993,296
Change in accounting policies	—	—	—	1,089,861	1,089,861
Restated balance as at 1 January 2018	2,909,060	100,000	(15,764)	1,089,861	4,083,157
Exchange differences	4,148	—	(99)	—	4,049
Acquisitions	1,245,110	—	—	149,000	1,394,110
Reclassification to other financial assets at amortised cost	—	(100,000)	—	—	(100,000)
Disposals	(162,946)	—	—	(1,112,266)	(1,275,212)
Other gain-net*	218,989	—	15,863	10,689	245,541
Balance as at 30 June 2018	**4,214,361**	**—**	**—**	**137,284**	**4,351,645**

* including unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period.

Six months ended 30 June 2018	195,237	—	—	—	195,237

The fair value assessment methods and related key assumptions and judgements adopted by the Group's management ("Management") is as follow:

- Net Assets Valuation Report/Summary ("NAV report") method: NAV report of the private equity funds prepared by management teams of these funds;
- Price of recent investment method: the price of the recent investment and changes subsequent to the relevant transaction date;
- Discounted cash flow method: discount rates and expected future cash flows from these Investments.

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For the six months ended 30 June 2018

15 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values of other financial instruments (unrecognised)

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

16 TRADE RECEIVABLES

	Unaudited	Audited
	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables		
— Third parties	**204,432**	258,456
— Related parties (note 22)	**60,872**	40,934
	265,304	299,390
Less: provision for impairment	**(59,837)**	(65,196)
Trade receivables, net	**205,467**	234,194

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 2018 and 31 December 2017 was as follows:

	Unaudited	Audited
	30 June 2018 RMB'000	31 December 2017 RMB'000
Within 30 days	**107,740**	102,874
31 to 180 days	**112,670**	139,834
Over 180 days	**44,894**	56,682
	265,304	299,390

17 TRADE PAYABLES

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Within 30 days	**52,689**	87,687
31 to 180 days	**44,729**	52,912
Over 180 days	**15,669**	11,480
	113,087	152,079

18 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Unaudited 30 June 2018	Audited 31 December 2017 Restated
Current Portion:		
Wealth management products	**—**	1,089,861
Loans receivable (a)	**1,159,687**	738,078
Loans to related party (note 22)	**19,907**	19,818
Deposits for operating leases	**21,424**	18,941
Others	**41,782**	32,100
Total	**1,242,800**	1,898,798
Non-current Portion:		
Loans receivable (a)	**566,284**	568,999
Loans to related party (note 22)	**5,118**	5,118
Loans to management personnel and employees (b)	**331,963**	131,520
Less: provision for impairment	**(5,118)**	(5,118)
Total	**898,247**	700,519

(a) As at 30 June 2017, loans receivable held by the Group summed up to 1,725,971,000 with the interest rate in the range of 7% to 12% per annum. The amount varies from RMB2,243,000 to RMB280,000,000.

The maturity period varies with the range from 6 to 24 months. Majority of these loans receivables was secured by the pledge.

(b) The balance represented loans to certain management personnel and employees, which bear interest at one month HIBOR+1% per annum and have a maturity of 5 years. All the shares subscribed by the borrowers was pledged as the collateral of these loans (note 19).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2018

19 SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Issued and fully paid				
	Number of ordinary shares of par value HK$0.01	**Nominal value of issued ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium account**	**Total**
		HK$'000	RMB'000	RMB'000	RMB'000
As at 1 January 2018	**5,674,811,025**	**56,749**	**54,768**	**806,397**	**861,165**
Issuance of ordinary shares(a)	**211,310,000**	**2,113**	**1,698**	**227,142**	**228,840**
As at 30 June 2018	**5,886,121,025**	**58,862**	**56,466**	**1,033,539**	**1,090,005**
As at 1 January 2017 and 30 June 2017	5,536,401,000	55,364	53,589	659,018	712,607

(a) Pursuant to the subscription agreement on 19 January 2018 and 11 April 2018, the Company allotted and issued 211,310,000 new ordinary shares with nominal value of HKD0.01 each at a price of HKD1.35 per share (for 202,310,000 shares) and HKD1.29 per share (for the remaining 9,000,000 shares) to directors and management personnel of the Company, on 27 April 2018.

The total gross proceeds from the issue were approximately HKD284,729,000 (equivalent to approximately RMB228,840,000), of which HKD2,113,000 (equivalent to approximately RMB1,698,000) was credited to share capital, HKD282,615,000 (equivalent to approximately RMB227,142,000) was credited to share premium.

Ms. Chen Chen has paid all of her consideration and other subscribers's consideration was settled through a loan from Bright Pacific, a wholly-owned subsidiary of the Company, to the subscribers with the interest rate of one month HIBOR plus 1% per annum. All the shares subscribed was pledged as the collateral of these loans (note 18). They need to comply with the lock-up request of the subscription agreement.

The directors of the Company are of the view that no share based payment expense should be recognised in the consolidated statement of comprehensive income as the consideration for the shares issued were higher than fair value.

Certain of the above subscribers are related parties of the Group, therefore the share issuance and the loans provided to them are related party transactions.

20 BORROWINGS

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Bank loans		
— Pledged (a)	**193,880**	228,697
Loans from a company (b)		
— Unsecured and interest free	**277,957**	274,497
	471,837	503,194

(a) In May 2018, the Group borrowed an amount of HKD230,000,000 (equivalent to RMB193,880,000) from Industrial Bank Co.,Ltd Hongkong Branch at an interest rate of 3 month Hibor+1.95% per annum with maturity of 12 months. The borrowing was secured by the Group's bank deposits of RMB220,000,000 in Industrial Bank Co.,Ltd Beijing Branch.

(b) The balance represented the loans due to a third party, Forchn International Co., Ltd., which is unsecured, interest free and repayable in August 2019.

As at 30 June 2018, the Group's borrowings were repayable as follows:

	Bank loans		Other loans	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
Within 1 year	**193,880**	228,697	**—**	—
Between 1 and 2 years	**—**	—	**277,957**	274,497
	193,880	228,697	**277,957**	274,497

21 COMMITMENTS

The Group had the following commitments as at 30 June 2018:

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	Audited
	30 June 2018 RMB'000	31 December 2017 RMB'000
No later than 1 year	**32,741**	28,414
Later than 1 year and no later than 5 years	**18,419**	20,723
Over 5 years	**1,602**	1,548
	52,762	50,685

22 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.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

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 2018 RMB'000	2017 RMB'000
Sales of goods to		
— Mai Sheng Yue He Sporting Goods Co., Ltd Group ("MSYH")	**91,287**	118,542
Purchase of goods from joint venture:		
— Shanghai Phenix Apparel Co., Ltd.	**—**	145
Interest income		
— MSYH	**353**	578
— management personnel	**1,855**	—

(b) Balances with related parties

Trade receivables (Note 16)

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
— MSYH	**60,872**	40,934

Other financial assets at amortised cost (Note 18)

	Unaudited 30 June 2018 RMB'000	Audited 31 December 2017 RMB'000
Current portion		
— MSYH	**19,907**	19,818
Non-current portion		
— MSYH	**5,118**	5,118
— Management personnel	**231,801**	131,520
— Provision	**(5,118)**	(5,118)
	251,708	151,338

The above balances with related parties except loans to management personnel as mentioned in note 18(b) were unsecured, non-interest bearing but collectable per demand.

22 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management compensation

	Unaudited Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Salaries, bonus and other welfares	**3,746**	2,131
Pension — defined contribution plans	**78**	57
	3,824	2,188

23 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to a resolution passed on 15 August 2018, the board of directors of the Company declare an interim dividend and interim special dividend of RMB2.45 cents and RMB2.45 cents per ordinary share of the Company, amounting to RMB144,210,000 and RMB144,210,000 for the six months period ended 30 June 2018 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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