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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS HIGHLIGHTS

For the year ended 31 December

	2014	2013	Change
	(RMB million)	*(RMB million)*	
Revenue	**1,262**	1,414	–10.7%
Gross profit (before reversal of impairment losses of inventories)	**640**	681	–6.0%
Gross profit margin (before reversal of impairment losses of inventories)	**50.7%**	48.2%	2.5%
Operating profit	**989**	225	339.6%
Net profit for the year attributable to equity holders of the Company	**915**	210	335.7%
	(RMB cents)	*(RMB cents)*	
Basic earnings per share	**16.61**	3.82	334.8%
Final dividend and final special dividend per share	**10.35**	1.49	594.6%

Together with the total interim and interim special dividend paid on 11 September 2014, the total dividends payout represents 70% of the Group's profit attributable to the equity holders in 2014.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In retrospect of 2014, the Chinese economy experienced a gentle slowdown in growth amidst overall stability, as growth in total demand in the second half of the year was relatively weak in an apparent lack of consumers' confidence. The sportswear industry in general was gradually set on the path of recovery, showing signs of positive growth following a series of realignment and restructuring in the recent years. Against this backdrop, our employees worked in concerted effort to keep the end-market stable and reported fruitful results as they explored and innovated more products that meet market demands, while identifying and taking part in significant cooperative projects.

The Group reported a 335.7% year-on-year growth in net profit attributable to equity holders for the 12 months ended 31 December 2014 to RMB915 million. Basic earnings per share improved 334.8%, year-on-year, to RMB16.61 cents. As at 31 December 2014, cash and bank balance and treasury products amounted to RMB4,626 million, providing the financial resources and flexibility required for the implementation of strategic measures for long-term development. In line with the Group's usual dividend policy, we have proposed to distribute 30% of the net profit attributable to equity holders for the year ended 31 December 2014 as final dividend. In view of the sound financial position of the Group, the Board of Directors has further proposed to distribute 40% of the net profit attributable to equity holders for the year ended 31 December 2014 as special dividend. Therefore, the overall dividend payout ratio for the year ended 31 December 2014 is 70%.

The sales of China segment for the 12 months ended 31 December 2014 decreased by 8.4%, year-on-year, to RMB828 million, reflecting a 17.6% decrease for the first half of the year and a largely unchanged sales level for the second, as the Group succeeded in stabilising sales through a range of business control measures that proved to be effective. Gross profit margin for the China region improved from 55.2% to 59.8%, reflecting improved price concessions of off-season products and the increased weighting of new products which commanded higher profit margins.

In terms of sales orders, the Group reported low double-digit growth for the value of orders received in 2015, reflecting primarily the Group's persistence in ongoing product explorations and improvements to enable innovative product design and development, which resulted in the launch of a number of novel and fashionable products hugely popular with the market, customers and consumers.

In 2014, the Group reported steady progress in its effort to intensify reforms, as it achieved encouraging results in stages through the building of a comprehensive and balanced sales network under its new business model of "self-owned retail outlets + dealership + franchise chain". In connection with sales, we have substantially enhanced the sell-through rate at retail-end levels by conducting reasonable and effective merchandise allocation and replenishment based on scientific analysis of retail-end data, drawing on insights from the Big Data concept. As at the end of the year, we had more than 1,200 retail outlets in China, forming a generally stable sales network. Sales of our 7 subsidiaries operating self-owned retail outlets in aggregate accounted for over 30% of our total sales in China segment.

In terms of brand promotion, the Group conducted in-depth streamlining of its brand attributes to clarify its brand positioning and image. A range of effective promotional campaigns were launched via diverse advertising means and platforms to highlight the fashionable and international characteristics of the brand. During the second half of 2014, Kappa continued to shine in graphic media promotion, as evidenced by the spectacular effects of its advertisements placed in popular fashion magazines. Meanwhile, we have continued to intensify our efforts in online and offline product promotion activities, such as collaborations with online social media including Weibo and Wechat, while the innovative “Kappa Bubble Soccer”, which hit the market with instant sensation upon its launch in the four big cities of Shenzhen, Nanjing, Taiyuan and Dalian, has boosted sales and garnered considerable media exposure for the brand.

In connection with our e-business, we maintained firmly our rapid pace in development in an increasingly competitive e-commerce market and gradually repositioned our platform from an inventory clearing channel to introducing new products to our online channel. The successful sales of our retro and new products has further enhanced the overall profitability of our e-commerce business.

The Group has also achieved efficiency and cost optimization for its supply chain through the integration of its operations in China and in Japan and continued to shorten the lead-time for distribution through the building of its logistics regime. Currently, the “single retail store delivery” model is being implemented at owned subsidiaries on a trial basis.

Change is the key to problem solution, and problem solution is the key to lasting success. During the year past, the Group increased its concern and commitment to external investment projects and reported fruitful results, while assuring the development and progress of its principal business. We set our mind on change and progress with ongoing efforts to study new models, implement new approaches, explore new thinking and identify new opportunities. In terms of external investment, the Group actively identified and participated in projects with long term development space in a prudent and prospective manner, leveraging its existing resources and advantages to acquire better development opportunities and achieve better earnings, in a bid to assure the Group’s stable development. By identifying and investing in projects with potential and significance, we have unveiled broader development prospects for the Group. The road to innovation and change is always a thorny path; only with resolute, determined and total commitment will one be able to move on in unwavering steps and embrace the eventual fruitful harvest.

Small steps add up to a distance far and wide; little drops of water make the mighty ocean. In the year past, our Group’s management and employees worked together in concerted effort and proved our confidence and strength with solid actions, as we secured our market and achieved positive results. Looking to the new year, we will, once again and together, unveil a new chapter in Dongxiang’s development with our passion, valor, determination and industry, bringing longer-term and better returns for our shareholders.

Chen Yihong
Chairman

25 March 2015

ANNUAL RESULT

The board of directors (the "Board") of China Dongxiang (Group) Co., Ltd. (the "Company") hereby announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2014, together with the comparative figures for 2013, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue	3	**1,261,905**	1,413,692
Cost of goods sold	4	**(621,458)**	(733,184)
Reversal of impairment losses of inventories	4	**41,107**	30,665
Gross profit		**681,554**	711,173
Distribution expenses	4	**(428,429)**	(412,567)
Administrative expenses	4	**(174,028)**	(240,246)
Other gains, net	5	**909,518**	193,653
Provision for impairment losses of available-for-sale financial assets	11	**—**	(27,118)
Operating profit		**988,615**	224,895
Finance cost, net	6	**(20,705)**	(4,301)
Finance income	6	**6,961**	54,130
Share of profit of a joint venture	10	**256**	287
Profit before income tax		**975,127**	275,011
Income tax expense	7	**(61,718)**	(71,943)
Profit for the year		**913,409**	203,068
Profit attributable to:			
— Owners of the Company		**915,351**	210,266
— Non-controlling interests		**(1,942)**	(7,198)
		913,409	203,068
Earnings per share attributable to owners of the Company for the year *(expressed in RMB cents per share)*			
— Basic earnings per share	8	**16.61**	3.82
— Diluted earnings per share	8	**16.61**	3.82
Dividends	14	**640,746**	147,268

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

		Year ended 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Profit for the year		**913,409**	203,068
Other comprehensive income that may be reclassified to profit or loss:			
Change in fair value of available-for-sale financial assets		**966,332**	1,716,878
Currency translation differences		**(4,758)**	(122,652)
Other comprehensive income for the year, net of tax		**961,574**	1,594,226
Total comprehensive income for the year		**1,874,983**	1,797,294
Attributable to:			
— Owners of the Company		**1,876,925**	1,804,492
— Non-controlling interests		**(1,942)**	(7,198)
Total comprehensive income for the year		**1,874,983**	1,797,294

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	As at 31 December **2014** ***RMB'000***	 2013 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**71,595**	85,967
Lease prepayments		**11,722**	12,008
Intangible assets	9	**247,512**	257,141
Interest in a joint venture	10	**15,621**	15,591
Available-for-sale financial assets	11	**4,580,210**	3,223,605
Other financial assets — non-current portion		**321,763**	—
Deferred income tax assets		**90,846**	97,829
Prepayments, deposits and other receivables — non-current portion		**38,400**	55,304
		5,377,669	3,747,445
Current assets			
Inventories		**206,492**	182,758
Trade receivables	12	**318,210**	333,041
Prepayments, deposits and other receivables		**80,911**	57,166
Other financial assets		**2,779,831**	3,551,091
Cash and bank balances		**2,545,680**	1,096,797
		5,931,124	5,220,853
Total assets		**11,308,793**	8,968,298

CONSOLIDATED BALANCE SHEET (continued)
As at 31 December 2014

		As at 31 December	
		2014	2013
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**53,589**	53,589
Share premium account		**1,714,319**	1,863,919
Reserves		**8,572,160**	6,691,690
		10,340,068	8,609,198
Non-controlling interests		**18,868**	14,626
Total equity		**10,358,936**	8,623,824
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,804**	33,574
		10,804	33,574
Current liabilities			
Other financial liability		**609,020**	—
Trade payables	13	**155,711**	148,035
Accruals and other payables		**130,210**	114,258
Provisions		**20,598**	17,836
Current income tax liabilities		**23,514**	30,771
		939,053	310,900
Total liabilities		**949,857**	344,474
Total equity and liabilities		**11,308,793**	8,968,298
Net current assets		**4,992,071**	5,309,953
Total assets less current liabilities		**10,369,740**	8,657,398

Notes:

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 25 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap.32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to IAS 39, 'Financial instruments: Recognition and measurement on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the consolidated financial statements as a result.

- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

- Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(c) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

2.2 Subsidiaries

2.2.1 Consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SEGMENT INFORMATION

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

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

- China — includes distribution and retail of sport apparel under Kappa Brand and other brands and international business which includes the provision of Kappa Brand products for other Kappa licenses in other countries.

- Japan — includes distribution and retail of sport apparel under Kappa, Phenix and other brands.
- Investment — includes investment in kinds of financial assets and treasury products issued by commercial banks. *(Note a).*

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

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

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

	China	Japan	Investment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2014					
Total revenue before inter-segment elimination	**847,521**	**436,855**	**—**	**—**	**1,284,376**
Inter-segment revenue	**(19,734)**	**(2,737)**	**—**	**—**	**(22,471)**
Revenue from external customers	**827,787**	**434,118**	**—**	**—**	**1,261,905**
Cost of goods sold	**(332,426)**	**(289,032)**	**—**	**—**	**(621,458)**
Reversal of/(provision for) impairment losses of inventories	**41,963**	**(856)**	**—**	**—**	**41,107**
Segment gross profit	**537,324**	**144,230**	**—**	**—**	**681,554**
Other gains,net	**14,993**	**2,009**	**892,516**	**—**	**909,518**
Segment operating profit/(loss)	**142,244**	**(1,076)**	**892,516**	**(45,069)**	**988,615**
Finance income	**4,666**	**7**	**—**	**2,288**	**6,961**
Finance cost, net	**2,980**	**(9,365)**	**—**	**(14,320)**	**(20,705)**
Share of profits of a joint venture	**—**	**256**	**—**	**—**	**256**
Profit/(loss) before income tax	**149,890**	**(10,178)**	**892,516**	**(57,101)**	**975,127**
Income tax expense	**(11,064)**	**(612)**	**(50,042)**	**—**	**(61,718)**
Profit/(loss) for the year	**138,826**	**(10,790)**	**842,474**	**(57,101)**	**913,409**
Material items of income and expense					
Depreciation and amortisation	**22,237**	**4,696**	**—**	**—**	**26,933**
Provision for/(reversal of) impairment losses of trade and other receivables	**43,020**	**(9,589)**	**—**	**—**	**33,431**
Advertising and selling expenses	**172,082**	**42,791**	**—**	**—**	**214,873**

	China	Japan	Investment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Note a)	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*	*(Restated)*
Year ended 31 December 2013					
Total revenue before inter-segment elimination	925,234	516,721	—	—	1,441,955
Inter-segment revenue	(21,393)	(6,870)	—	—	(28,263)
Revenue from external customers	903,841	509,851	—	—	1,413,692
Cost of goods sold	(405,252)	(327,932)	—	—	(733,184)
Reversal of impairment losses of inventories	28,209	2,456	—	—	30,665
Segment gross profit	526,798	184,375	—	—	711,173
Other gains,net	44,169	481	149,003	—	193,653
Segment operating profit/(loss)	140,322	(16,490)	149,003	(47,940)	224,895
Finance income	48,454	5	—	5,671	54,130
Finance cost, net	(7,588)	(8,650)	—	11,937	(4,301)
Share of losses of a joint venture	—	287	—	—	287
Profit/(loss) before income tax	181,188	(24,848)	149,003	(30,332)	275,011
Income tax expense	(35,760)	(940)	(35,243)	—	(71,943)
Profit/(loss) for the year	145,428	(25,788)	113,760	(30,332)	203,068
Material items of income and expense					
Depreciation and amortisation	21,585	7,405	—	—	28,990
Provision for impairment losses of available-for-sale financial assets	—	—	27,118	—	27,118
Provision for/(reversal of) impairment losses of trade and other receivables	102,964	(491)	—	—	102,473
Advertising and selling expenses	100,142	54,986	27,118	—	155,128

The loss of RMB45,069,000 (2013: RMB47,940,000) reported under "Unallocated segment operating profit" comprised the cost of design and product development of Kappa Brand products incurred by the technical centre of the Group established for product development for both China and Japan markets.

A further analysis of sales of sports wear by brands and activities in China and Japan segments is set out below:

	2014	2013
	RMB'000	*RMB'000*
China		
— Distribution of Kappa Brand products	**534,008**	700,640
— Retail of Kappa Brand products	**285,510**	160,500
— International business and others	**8,269**	42,701
	827,787	903,841
Japan		
— Distribution and retail of Kappa Brand products	**141,061**	164,989
— Distribution and retail of Phenix Brand products	**293,057**	344,862
	434,118	509,851
Revenue	**1,261,905**	1,413,692

During the year ended 31 December 2014, revenues of approximately RMB66,765,000 (2013: 148,648,000) are derived from a single external customer. These revenues are attributable to China segment.

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

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

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

	China	Japan	Investment	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2013					
Interests in a joint venture	—	15,591	—	—	15,591
Available-for-sale financial assets	—	—	3,223,605	—	3,223,605
Deferred income tax assets	97,829	—	—	—	97,829
Other assets	1,498,098	369,055	3,551,091	330,134	5,748,378
Total assets before inter-segment elimination	1,595,927	384,646	6,774,696	330,134	9,085,403
Inter-segment elimination	(21,699)	(10,529)	—	(84,877)	(117,105)
Segment assets	1,574,228	374,117	6,774,696	245,257	8,968,298
Deferred income tax liabilities	30,136	3,438	—	—	33,574
Current income tax liabilities	29,620	1,151	—	—	30,771
Other liabilities	146,266	166,301	—	29,068	341,635
Total liabilities before inter-segment elimination	206,022	170,890	—	29,068	405,980
Inter-segment elimination	(11,210)	(21,228)	—	(29,068)	(61,506)
Segment liabilities	194,812	149,662	—	—	344,474

As at 31 December 2014, the total non-current assets other than financial instruments and deferred tax assets located in the PRC amounted to RMB325,852,000 (2013: RMB351,022,000) and the total of these non-current assets located in other countries and places amounted to RMB58,997,000 (2013: RMB74,989,000).

4 EXPENSES BY NATURE

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

	2014	2013
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of goods sold	**621,458**	733,184
Reversal of impairment losses of inventories	**(41,107)**	(30,665)
Depreciation of property, plant and equipment	**13,842**	15,230
Amortisation of lease prepayments and intangible assets	**13,092**	13,760
Advertising and selling expenses	**214,873**	155,128
Employee salary and benefit expenses	**142,693**	153,015
Design and product development expenses	**45,069**	47,940
Legal and consulting expenses	**4,984**	3,682
Operating lease in respect of buildings	**21,174**	31,558
Logistic fees	**65,821**	70,669
Provision for impairment losses of trade and other receivables	**33,431**	102,473
Travelling expenses	**14,871**	18,344
Auditors' remuneration		
— Audit services	**2,500**	2,814
— Non-audit services	**2,183**	1,053
Others	**27,924**	37,147
	1,182,808	1,355,332

5 OTHER GAINS, NET

	2014	2013
	RMB'000	*RMB'000*
Government subsidy income	**3,791**	10,514
Royalty income	**11,425**	10,458
Investment income from financial assets	**280,304**	174,970
Gain on disposal of available-for-sale financial assets	**731,497**	1,151
Loss recognised in relation to other financial liability	**(119,285)**	—
Others, net	**1,786**	(3,440)
	909,518	193,653

Government subsidy income represents grants from the local finance bureaus as encouragement to the Company's subsidiaries' investments and is mainly calculated with reference to taxes paid by the subsidiaries. The income is recognised when there is a reasonable assurance that the subsidy will be received.

6 FINANCE INCOME, NET

	2014	2013
	RMB'000	*RMB'000*
Finance income:		
— Interest income	**6,961**	54,130
Finance cost:		
— Foreign exchange losses	**(17,582)**	(1,020)
— Others	**(3,123)**	(3,281)
	(20,705)	(4,301)
Finance income, net	**(13,744)**	49,829

7 INCOME TAX EXPENSE

	2014	2013
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax ("CIT")	**76,647**	65,466
— Taxation in Japan	**858**	1,229
Deferred income tax	**(15,787)**	5,248
	61,718	71,943

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 profits tax 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 year ended 31 December 2014 (2013: nil).

According to the New Corporate Income Tax Law ("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. During the year ended 31 December 2014, the Group decided not to distribute and permanently reinvest the retained earnings as at 31 December 2014 of the PRC subsidiaries, therefore, deferred tax liabilities in respect of those profits of RMB30,136,000 was reversed.

The subsidiary incorporated in Japan is subject to income tax and local inhabitant tax. The corporate income tax rate for the year ended 31 December 2014 applicable to the subsidiary is 30% (2013: 30%) of the assessable profit. The inhabitant tax is determined based on rates on the income tax payable, subject to a certain minimum payment. As there was no assessable profit derived during the year ended 31 December 2014 (2013: nil), the subsidiary was subject to the minimum inhabitant tax payments.

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are 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 year.

	2014	2013
Profit attributable to owners of the Company *(RMB'000)*	**915,351**	210,266
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(thousands)*	**5,511,030**	5,508,643
Basic earnings per share *(RMB cents per share)*	**16.61**	3.82

(b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding assuming conversion of all dilutive potential ordinary shares. As at 31 December 2014, there was no potential diluted ordinary share (2013: Nil) and therefore no diluted earnings per share is presented.

9 INTANGIBLE ASSETS

	KAPPA trademarks *RMB'000*	**Phenix trademark and others** *RMB'000*	**Computer software** *RMB'000*	**Total** *RMB'000*
Year ended 31 December 2013				
Closing net book amount	239,649	7,387	10,105	257,141
At 31 December 2014				
Net book amount	230,554	7,602	9,356	247,512

10 INTEREST IN JOINT VENTURE

	2014 *RMB'000*	2013 *RMB'000*
At 1 January	**15,591**	15,562
Share of profits	**256**	287
Exchange differences	**(226)**	(258)
At 31 December, share of net assets	**15,621**	15,591

Nature of investment in joint venture in year 2014 and 2013

Company name	**Country of incorporation**	**Particulars of issued/registered capital**	**Interest held**	**Principal activities**	**Measurement method**
Indirectly held:					
Shanghai Phenix Apparel Co., Ltd.	PRC	USD 4,300,000	*38% (Note a)*	Production and sale of apparel and sportswear	Equity

There are no material contingent liabilities relating to the Group's interest in a joint venture and no material contingent liabilities of the joint venture itself.

Note a: According to Articles of Association of Shanghai Phenix Apparel Co.,Ltd., the company's board resolutions should be passed upon unanimous approval of all board members.

The financial information below, after necessary adjustments to conform with the Group's significant accounting policies, represents the Group's respective interests in a joint venture as follows:

	As at 31 December	
	2014	2013
	RMB'000	*RMB'000*
Total assets	**20,056**	20,616
Total liabilities	**(4,435)**	(5,024)

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**15,116**	14,945
Share of profit after income tax for the year	**256**	287

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014	2013
	RMB'000	*RMB'000*
Available-for-sale financial assets — current and non-current portion		
At 1 January	**3,223,605**	1,026,587
Currency translation differences	**11,574**	(49,632)
Additions	**789,908**	559,390
Disposals — cost	**(440,834)**	(1,349)
Disposals — Fair value reclassified to income statement	**(731,497)**	(1,151)
Change in fair value	**1,727,454**	1,716,878
Impairment losses	**—**	(27,118)
At 31 December	**4,580,210**	3,223,605

The available-for-sale financial assets include the following:

	2014 *RMB'000*	2013 *RMB'000*
Listed equity securities in the US in		
— Mecox Lane	—	22,496
Market value of listed securities	—	22,496
Unlisted securities		
Equity securities		
— Yunfeng E-Commerce Funds — US *(Note (a))*	**3,229,119**	2,427,786
— CITIC Mezzanine Fund I — PRC *(Note (b))*	**237,604**	276,253
— Yuanxin Dongchao — PRC *(Note (c))*	**164,929**	—
— Shanghai Panxin — PRC *(Note (d))*	**202,125**	—
— Others *(Note (e))*	**746,433**	497,070
	4,580,210	3,201,109

Available-for-sale financial assets are denominated in the following currencies:

	2014 *RMB'000*	2013 *RMB'000*
US dollar	**3,311,846**	2,056,352
Renminbi	**1,268,364**	1,167,253
	4,580,210	3,223,605

Notes:

(a) In September 2011, the Group subscribed for limited partnership agreements with Yunfeng E-Commerce Funds, pursuant to which the Group subscribed for limited partnership interests with a total capital commitment of USD100,000,000 (equivalent to RMB638,080,000 at historical exchange rate), which had been fully paid as at 31 December 2012. The Yunfeng E-Commerce Funds are established for the purpose of making investments in Alibaba Group Holdings Limited, a leading group in the Chinese e-commerce industry.

In September 2014, Alibaba was listed on NYSE. Pursuant to Alibaba's Initial Public Offerings ("IPO"), Yunfeng E-Commerce Funds disposed part of Alibaba's shares and distributed disposal gains to its limited partners. Accordingly, the Group recognised other gains of approximately RMB685,856,000.

As at 31 December 2014, the investment in Yunfeng E-Commerce Funds were stated at fair value, and an unrealised fair value increment of RMB973,352,000 (2013: RMB1,711,245,000) was charged to other comprehensive income.

(b) In September 2011, the Group entered into subscription agreements and limited partnership agreements with CITIC Mezzanine Fund I, which is a limited partnership established for the purpose of making equity and debt investments in the PRC. As at 31 December 2014, the investment was stated at fair value of RMB237,604,000.

(c) In September 2014, the Group entered into subscription agreements and limited partnership agreements with Yuanxin Dongchao, which invested in manufacturing industry. The investment is measured at fair value of RMB164,929,000 at year end.

(d) In November 2014, the Group entered into subscription agreements and limited partnership agreements with Shanghai Panxin, which is established for the purpose of making equity and debt investments in PRC. As at 31 December 2014, the investment was stated at fair value at RMB202,125,000.

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

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

12 TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	*RMB'000*
Trade receivables		
— Third parties	**346,250**	353,455
— Related parties	**155,720**	163,250
	501,970	516,705
Less: provision for impairment	**(183,760)**	(183,664)
Trade receivables, net	**318,210**	333,041

The Group's sales are mainly made on credit terms ranging from 30 to 60 days. The ageing analysis of trade receivables as at 31 December 2014 and 2013 was as follows:

	2014	2013
	RMB'000	*RMB'000*
Within credit terms	**270,617**	223,509
Within 30 days	**45,629**	37,274
31 to 120 days	**103,418**	90,579
Over 120 days	**82,306**	165,343
	501,970	516,705

The trade receivables were mainly denominated in RMB and JPY. Their carrying amounts approximated their fair values as at the balance sheet dates.

As at 31 December 2014, trade receivables of RMB231,353,000 (2013: RMB293,196,000) were past due, of which RMB183,760,000 (2013: RMB183,664,000) were impaired and fully provided for. The trade receivables that were past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The movements in provision for impairment of trade receivables are as follows:

	2014	2013
	RMB'000	*RMB'000*
At 1 January	**183,664**	81,688
Provision for impairment losses of receivables	**369**	102,473
Exchange difference	**(273)**	(497)
At 31 December	**183,760**	183,664

13 TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2014 and 2013 was as follows:

	2014	2013
	RMB'000	*RMB'000*
Within credit terms	**107,686**	119,107
Within 30 days	**37,861**	5,231
31 to 120 days	**1,991**	15,739
Over 120 days	**8,173**	7,958
	155,711	148,035

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

14 DIVIDENDS

	2014	2013
	RMB'000	*RMB'000*
Interim dividend paid of RMB0.52 cent (2013: 0.50 cent) per share	**28,789**	27,682
Interim special dividend paid of RMB0.70 cent (2013: 0.67 cent) per share	**38,755**	37,094
Proposed final dividend of RMB4.44 cents (2013: 0.64 cent) per share	**245,816**	35,433
Proposed final special dividend of RMB5.91 cents (2013: 0.85 cent) per share	**327,386**	47,059
	640,746	147,268

The dividends paid in 2014 amounted to RMB150,036,000 or RMB2.71 cents per share (2013: RMB120,140,000 or RMB2.17 cents per share), comprising 2013 final dividends of RMB82,492,000 and 2014 interim dividends of RMB67,544,000 (2013: 2013 interim dividends of RMB68,098,000). The dividends of RMB676,000 (2013: RMB589,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 25 March 2015, the board of directors of the Company proposed final dividend and final special dividend of RMB4.44 cents and RMB5.91 cents of the Company, amounting to RMB245,816,000 and RMB327,386,000 for the year ended 31 December 2014 from the Company's share premium account, respectively. The final dividend and final special dividend are to be proposed for approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2015.

The aggregate amounts of the dividends paid during 2014 and 2013 have been disclosed in the consolidated income statement in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

15 COMPARATIVE FIGURES

Certain comparative figures have been restated to be consistent with current year's presentation and classification.

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW

In 2014, national economies around the world produced mixed performances in an unbalanced, lacklustre economic recovery. During the second half of the year, the United States and other major nations became increasingly divided over their monetary policies. The U.S. economy rebounded strongly under the tightening monetary policy of the Federal Reserve Board, as the US Dollar grew stronger in the wake of interest rate normalization, while the nation was close to recording full employment with a falling unemployment rate. The European economy was, on the other hand, sliding into deflation, as the prospect of an economy recovery looked dim given ongoing weakness in private investment and unyielding unemployment rates in a number of countries. Meanwhile, Japan's central bank continued to implement an expansionary monetary policy, while the Yen remained weak and economic recovery in the nation looked meager.

In 2014, the Chinese economy experienced a gentle slowdown in growth amidst overall stability, reporting a 7.4% growth in annual GDP as the nation's economy started a transition to the new norm. Growth in total demand in the second half of the year turned weaker, as the quarter-on-quarter GDP growth for Q4 dropped to 1.5% from 1.9% reported for Q3. While there was an 8.0% real growth in per capita disposable income and a 10.9% real growth in total retail sales of consumer goods, as compared to the previous year, consumers generally remained cautious about future prospects given the volatilities in international developments and the slowdown in economic growth, as well as the transitional stage for the pattern of market growth. Consumers' confidence was lacking and there were no apparent improvements in the willingness to spend.

Though under the pressure from the market, support for the industry has also emerged. It is worth noting that the sporting industry was officially listed in the national strategy in 2014, as the State Council notice entitled "Several Opinions on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" provided a strong, long-term driving force for consumption in the sports market, while the "targeted easing" monetary policy released ample liquidity for the financial market, redirecting investment of private assets of Chinese citizens from the property market to the capital market. While growth in investments in the property industry and manufacturing business continued to slow down, further growth was reported by tertiary industries such as the service, retail and emerging business sectors. With the support of new technological innovations and the central government's support, the contributions of these emerging industries to employment and the GDP contributions of enterprises concerned are expected to drive growth rates in future.

Industry Overview

After going through twists and turns and surviving the cold winter, the sportswear industry as a whole was experiencing a more apparent recovery in 2014, with sportswear brands generally reporting stable retail-end sales and improved results, as the destocking stage was nearing its end following a general restructuring of the industry, while store closures also decelerated on the back of gradual improvements in sales channel distribution and management control. Moreover, favourable policies contained in the State Council notice entitled "Several Opinions on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" have further driven the development of the sportswear industry and sportswear market, giving rise to growth potential for the development of sportswear brands in the domestic market.

Notwithstanding a ray of hope afforded by such favourable news, the industry remained subject to the after-impact of large-scale destocking and challenges arising from corporate transformation and realignment. Meanwhile, the ongoing expansion of foreign "fast fashion" brands and the relentless expansion of the e-commerce market continued to create increasing pressure of market erosion upon offline physical outlets of brand companies. Against such market conditions, sportswear brands sought to define their positioning and explore the new propositions and demands of consumers in their spending on sportswears by constantly investigating new directions for product development. Meanwhile, supply chains and the ability to replenish supplies quickly were enhanced, while online and offline resources were integrated and online franchise stores or dedicated websites for sportswear brands were be developed through cooperation with e-commerce operators, in a diligent and cautious move amid pressures to prepare the industry for further recovery.

In the period ahead in 2015, the sportswear industry needs to further integrate the traditional channel model with the advanced e-commerce model by reorganizing its business distribution and consolidating existing resources, leveraging the broad market prospects afforded by the Internet and e-commerce technologies, endeavouring to balance production capacity and supply and expand the consumers' market on the back of the government's policy support. Traditional brand operators need to work together to seek innovation and facilitate reform, in order to drive the transformation and upgrade of the industry. Major efforts should be made to enhance innovative product design, brand reputation, users' experience and market competitiveness, as well as the operating efficiency and management control of brand companies, with a view to ushering in a growth cycle for the industry.

Business Review

In 2014, the Group sustained a secure and healthy business network with sound financial income as it proactively adjusted the pace of its business development, improved its sales channels and conducted effective promotion of its brand and product reputation.

Brand Building and Marketing

PRC — Kappa brand

During the second half of 2014, the Group continued to conduct its brand and event promotion through a combination of online and offline channels and leveraged its vigorous cooperation with social media as well as fashion and sports media to publish product and brand information, achieving notable results in terms of the enhancement of brand exposure and reputation.

During the second half of 2014, Kappa continued to thrive in terms of soft text and product placement. In July, Kappa joined forces with fashion magazine *BAZAAR Men* to place advertisements of Kappa World Cup Tees and other soccer products and accessories in *BAZAAR Men's* "World Cup Frenzy" theme. Under the World Cup theme, product promotion was conducted in the manner of major movie-making, where creative expressions imparted a trendy character and sense of high quality material when the clothes were showcased. In September, Kappa products were showcased by models under the theme of "The Storm of Menswear" of *FHM*. In October, Kappa products featured in the cover story of *Size Trendy Life Magazine* (《Size潮流生活》), where the Kappa KOMBAT Series were showcased by Mainland celebrities Wang Chuanjun and Zhang Zixuan so that more readers could come to appreciate Kappa's latest products, fashion concepts and mix-and-match ideas. Elsewhere, advertisements were also placed in *Mens Style*, *Rayli*, *Self*, *Trends Health*, *Harper's Bazaar*, *Ceci* and other magazines.

Meanwhile, Kappa continued to make more penetrating efforts in offline marketing and promotion during the second half of the year and achieved admirable results in its collaboration with online social media such as Weibo and WeChat. The nationwide roadshow of the offline event "Kappa Bubble Soccer" commenced on 6 September in the four major cities of Shenzhen, Nanjing, Taiyuan and Dalian with enthusiastic response, as consumers were offered a lively experience of Kappa. Through participation in the Bubble Soccer Game, consumers personally experienced the appeal of bubble soccer and the fun of "Dongxiang" sports at selected shopping malls, in addition to fine prizes given out through interactive games on WeChat. The event was well received by the local markets and effectively refreshed the Kappa brand image.

PRC — Robe Di Kappa brand

During the second half of 2014, RDK increased its interaction with consumers on the Internet by communicating product concepts and dynamic information in a timely manner via social media such as Weibo and Wechat, as well as popular online shopping websites such as TMALL, SHANGPIN, MEI.COM. Meanwhile, it continued to advertise on the aesthetic concept through products design and promotion events, as new RDK products were launched by way of a fashion show as part of the "Magnitude of Fashion" Fall Promotion at the Oriental Plaza. RDK brings to consumers the power of independence, confidence, self challenge, as well as the power of innovation imparted in the genes. In the "Beauty Wardrobe Event" of Oriental Plaza, RDK leveraged fully its online and offline strengths by handling mix and match and style design offline for display and dissemination on the Internet media, resulting in positive exposure of the products and the brand, as well as further influence on consumers' disposition and among sporting apparel brands.

Japan — Kappa brand

During the second half of the year, Kappa Japan organized a number of high-profile charities and welfare events, as well as a Thanksgiving contest and marketing campaigns. Such activities have significantly enhanced Kappa's brand influence and reputation in Japan. The Kappa Japan team enhanced brand promotion by organizing a friendly match between Consadole Sapporo and Consadole Asahikawa soccer teams, and the JEF (Japan Equestrian Federation) friendly tournaments. At the Hokkaido stadium where the friendly match between Consadole Sapporo and Consadole Asahikawa soccer teams was played, services were provided and Kappa stationery gift sets were given out to children attending the event, while officials at the match were wearing Kappa-sponsored apparel and Kappa merchandise were also available for sale. Through the match and the complementary activities, Kappa has successfully captured attention in the media and among the audience to reinforce customers' satisfaction and loyalty for Kappa Japan.

In the meantime, the Kappa Japan team continued to leverage the celebrity effect by publishing information on celebrity athletes, including soccer star Shinji Ono and Inamoto whom participated in the JEF Playoff, wearing sports apparel with the Kappa logo in magazines such as *Sports Nippon and Nikkan Sports*. Brand exposure has been further increased as a result.

In terms of product promotion, the Kappa Japan team placed advertisements in different types of sports and popular magazines according to product types (such as general training and golf) and varying features. Through displays by models and influential, credible advertising language, a larger group of Kappa fans have been provided with useful information and encouraged to monitor Kappa sportswear products more closely.

Japan — Phenix brand

In 2014, the Phenix Japan team continued to promote products using the marketing method adopted in the first half of the year, namely, to place advertisements in different types of magazines by matching the concepts and functions of its sports brand with the thematic features of various media. Such advertisements have further highlighted the unique professional qualities, functionality for extreme sports and fashionable beauty of Phenix products and enhanced the popularity of the Phenix brand in Japan.

Japan — Inhabitant brand

In 2014, the Inhabitant Japan team continued to sponsor various types of charities and entertainment events, such as the EXTREME X MUSIC rock and roll festival, the HOT FIELD 2014 music festival and the RESORT STAGE ski-board contest, etc to enhance the exposure of the brand and its products, so as to project the characteristics of this young and fashionable brand in a richer and more visible manner. Through on-site promotion and display by models at sales promotion in hypermarkets and various types of entertainment, cultural or sporting events, consumers were given exposure to a brand new concept in sports apparel and a more subtle user's experience.

Product Design and Research and Development

Kappa KOMBAT Series

The Kappa KOMBAT Series presents "combat wear" that embodies power and character. Underpinned by the avant-garde combination of multiple features, such as the incorporation of specialist designs in daily apparel and the 3D slim-fit cutting, it displays a unique personality as a fashion line in essence that has also retained the sporting gene. The smart-looking K-Kombat Series sets the trend with a cocoon-shaped cutting that runs shorter at the front and longer in the rear. Knit pants in the Fall and Winter collection also feature 3D cuttings for a decent fit, while the unique loose fit cutting improves the profile of the upper body. Leopard stripes or colour-clashed zippers are adopted in certain styles to enhance character and fashion; while the winter down jacket wear features the popular large profiles and colour blocks that provide a loose shield for the high-quality feather contents of the jacket to highlight its richness, making the jacket a trendy choice for protection against severe weather.

Kappa K-STAR Series

In the K-star Series, the large-block number imprint extensively used in men's wear is inspired by the vehicle plates of the European Union ("EU"), while the OMINI surrounded by the star in the EU emblem found on the sleeves of ladies' wear also draws its inspiration from the EU vehicle plate. Such details in design testify the uniqueness of the K-star Series, while paying tribute to the classic. This series features creative styles, such as the long 3D stereotype which has a trimming effect while showing a strong ability to accommodate. The hoodie design ensures that you are kept warm in a perfect way. The Kappa 2014 K-STAR Series has combined the historical elements of the brand with trendier ones to create a classic fashion.

ESSENTIAL Series

Kappa's interpretation of fashions and trends has always been underpinned by its fresh, natural and carefree style. Minimal yet subtle, the Kappa Essential Series leveraged Kappa's proprietary colors to create the enduring classic of simple and carefree styles. The classic back-to-back stereotype combines with neat designs and the trademark triangular LOGO for a respectable minimalist appearance. The neatly trimmed stereotype is enhanced by colourful varieties combining the classic KWK stripes to meet the diverse needs of fashionistas for mix and match. For the pants, the fashion element goes down to details such as the drawstrings and back pocket, which are adorned by clashing colours, while OMINI shows off its artistic qualities with glittering printed patterns.

ESSENTIAL + Series

This series breathes youthful energy by incorporating the trendy baseball element. The baseball-style cotton and down jackets are fashionable as much as functional, eye-catching while keeping the body warm to assure good wearability. With a strong focus on the handling of details to highlight product quality in line with fashionable trends, as well as the availability of a variety of color mix, such as the combination of bright tones with subtler ones, the series offers ideal choices for youngsters.

Accessories Series

Kappa has designed a full range of smart-match looks customized for fashionistas. Whether you opt for fresh and natural looks or want to highlight your unique character, you will always find a fashionable style that befits you. In products ranging from heavily decorated items to the Kombat series, the essence of fashion is powerfully manifested. The mainline design of caps is inspired by the polar light, represented by clashing fluorescent stripes intertwined with patterned fabric reminiscent of colourful bright lights at the edge of the sky. It imparts a sense of fashion and mystery in life and sports that turns you into an instant focus in the street on a cold winter day. There are a variety of colour choices to meet different needs and match with neck warmers in the same series. In addition, the uniquely exquisite knit hat, the versatile snapback and the very much individual baseball cap will feature perfectly with trendy dresses of any type in full expression of the taste and character of the fashionista.

Shoes Series

The classic retro running shoes series features a large sole made of a mixture of three shock-absorbing materials for comprehensive enhancements in stability and comfort. The significantly improved lightness afforded by the new, ultra-light mould-pressed EVA material makes it an indispensable companion for travels and outings. The new design that features a combination of national colours and suede materials imparts stronger qualitative perception and fashion sense. The reflection material used on the edge of the K logo, the toe and the heel is an example of good taste in the details.

Board shoes made of suede material with an extremely strong sense of material allowing mix-and-match at will are a fine testament of good taste. The clean, neat and fresh colours are a perfect match for the campus life, while the sole are made of stable and light materials featuring a Louvre Pyramid-like structure affords maximum comfort in wearing. The combination of fashion and comfort will meet a diverse range of mix-and-match requirements of the fashionista.

In 2014, the Japan team continued to make contributions in research and development by strengthening research on details and conducting sophisticated development of zippers, sewing techniques, rain and wind protection functions based on past technologies in response to specific outdoor needs. Such research efforts have provided solid functional support for the fashion products in a fine interpretation of the functionality of sports and the fashion element of functionality.

Upgrading our retail network

During the period under review, the Group continued to optimise its sales network and store efficiency, assessed its store network and made adjustments accordingly. As at 31 December 2014, the Group had a total of 1,210 Kappa retail stores operated directly or indirectly under the China segment. The distribution network of retail stores covered all major provincial capital cities and other major cities and townships in China.

In the second half of 2014, the number of retail stores directly or indirectly operated by 7 self-owned subsidiaries of the Group increased to 350, and the number of franchise stores was expanded to 38. As such, the Group has further developed the coverage of its self-owned retail network and consolidated its self-operating business, resulting in notable revenue for the Group.

In 2014, the development of the e-commerce market remained robust. On the back of the positive effect of destocking efforts in the previous period, the Group further increased the online supply ratio for new and special online items, as well as enlarged the percentage share of self-owned online businesses. Through the development of special online products, the sales mix of online products has been optimized and gross profit margin were improved, while our product and brand reputation has also been gradually enhanced as a result. Promotion and festive events were also organized in association with e-commerce partners to further explore the market and appeal to more consumers.

Maximizing contributions of the Group's projects

In an exploratory, transitional period for the industry, the Group made preemptive moves and embarked on reform and innovation in a prudent yet astute manner. China Dongxiang is well aware that progress must be made if it wants changes to the present conditions during a low cycle of the industry, and that market expansion must be sought if it wants to fortify its foothold. While assuring stable growth for its core business, the Group also increased its focus on and input in external investment projects in 2014, and achieved positive results in this regard. Through proactive efforts to identify and examine investments from a prospective point of view, the Group prudently participated in projects with long-term development space. Our investment in Alibaba and its related business projects indicates our focus and emphasis on the e-commerce sector. Facts speak for themselves as the Group reaped awards both in business and financial terms in the forms of positive partnerships and sound income. In the meantime, the Group has been monitoring on a long-term basis emerging industries and the consumer sector which hold out potential for rapid growth, seeking to secure sound development opportunities for development in future through effective use and consolidation of the Group's existing resources and strengths, in a bid to maximise financial gains for shareholders.

OUTLOOK

In 2014, China Dongxiang welcomed the spring time of gradual market recovery and confirmed a sound development trend for steady progress in future, having survived a period of industry doldrums and volatile market conditions by adopting a range of reforms and innovative measures on the back of the concerted effort of its staff. The Group will continue to develop new products and reinforce its image as a classic brand in a firm commitment to its product philosophy of "sports, fashion, sexiness and style." On this basis, we will sincerely examine the new propositions and demands of consumers and blend the latest fashion elements to impart garment tastes and the sporting attitude in consumer and every member of the "pragmatic, innovative and passionate" people of Dongxiang.

In order not to disgrace our mission, we should avoid complacency and recklessness. In the new year, the Group will focus on "stability" and "innovation" in an ongoing attempt to optimise its existing business and strengthen its existing business model of "self-owned retail outlets + dealership + franchise chain" to increase sales and improve outlet efficiency. We will also endeavour to refine our brand name and develop new products to provide consumers with more desirable choices and fulfill individual needs. The integration of online and offline businesses will be underpinned by efforts to expedite the rollout and development of e-commerce channels, improve efficiency of logistical distribution and response to market information, and optimise and strengthen mutual support and coordination between supply chains and logistics.

In our commitment to an aggressive approach to business, we tend to be in industrious in preparations and prudent in actions. In the new year, the Group will be engaged in ongoing efforts to develop new models, experiment new methods, broaden new thinking, explore new opportunities and frontiers for development in search for change and progress, with the aim of securing better opportunities for development, opening broader prospects for development, achieving greater return and profit for the Group, and sincerely rewarding shareholders and everyone who has been supporting Dongxiang all along.

FINANCIAL REVIEW

The sales of the Group in 2014 was RMB1,262 million, decreased by 10.7% as compared to RMB1,414 million in 2013. Profit attributable to equity holders in 2014 was RMB915 million, increased by 335.7% as compared to RMB210 million in 2013.

Key Financial Performance by Segments

		Group (Note 3)			China Segment (Note 1)			Japan Segment (Note 2)		
		For the year ended 31 December			For the year ended 31 December			For the year ended 31 December		
		2014	2013		**2014**	2013		**2014**	2013	
	Note	***RMB million***	*RMB million*	*Change*	***RMB million***	*RMB million*	*Change*	***RMB million***	*RMB million*	*Change*
Key items of consolidated income statement										
Sales		**1,262**	1,414	–10.7%	**828**	904	–8.4%	**434**	510	–14.9%
Gross profit (before reversal of impairment losses of inventories)		**640**	681	–6.0%	**495**	499	–0.8%	**145**	182	–20.3%
Operating profit	3	**989**	225	339.6%						
Profit attributable to equity holders of the Company	3	**915**	210	335.7%						
		RMB cents	*RMB cents*							
Basic and diluted earnings per share		**16.61**	3.82	334.8%						
		%	*%*	*% pts*	***%***	*%*	*% pts*	***%***	*%*	*% pts*
Profitability ratios										
Gross profit margin (before reversal of impairment losses of inventories)		**50.7%**	48.2%	2.5	**59.8%**	55.2%	4.6	**33.4%**	35.7%	–2.3
Operating profit margin		**78.4%**	15.9%	62.5						
Effective tax rate		**6.3%**	26.2%	–19.9						
Net profit margin		**72.5%**	14.9%	57.6						
Key operating expenses ratios (as percentage of sales)										
Sales expenses		**12.1%**	7.9%	4.2	**16.2%**	7.9%	8.3	**4.5%**	7.9%	–3.4
Advertising and marketing expenses		**4.9%**	3.1%	1.8	**4.6%**	3.2%	1.4	**5.4%**	2.9%	2.5
Employee salary and benefit expenses		**11.3%**	10.8%	0.5	**11.7%**	11.0%	0.7	**10.6%**	10.6%	0
Design and product development expenses	3	**3.6%**	3.4%	0.2						
		in days	in days	in days	**in days**	in days	in days	**in days**	in days	in days
Working capital efficiency ratios										
Average trade receivable turnover days	4	**94**	96	–2	**96**	103	–7	**91**	85	6
Average trade payable turnover days	5	**89**	68	21	**76**	52	24	**104**	88	16
Average inventory turnover days	6	**122**	122	0	**141**	139	2	**104**	102	2
Asset ratio										
Current ratio	7	**18.0**	16.8	1.2	**26.9**	25.4	1.5	**2.4**	2.0	0.4

Notes:

1. The China segment principally represents the wholesale of sport-related products under Kappa Brand in China and Macau. It also includes the international business under Kappa Brand as well as domestic businesses under the Phenix brand and RDK brand.

2. The Japan segment principally represents the sales of sport-related products under the Kappa, Phenix and other brands in Japan.

3. The Group results represent the aggregation of the results of the China segment and Japan segment. There are certain financial income and distribution costs (eg. design and product development expenses) that cannot be allocated or split into the China segment and Japan segment. Thus, the calculations of segmental operating profit, segmental profit attributable to equity holders as well as segmental design and products development expenses as a percentage of sales are not meaningful.

4. Provision for inventories is included in costs to sell in accordance with International Financial Reporting Standards. The Group is in the opinion that for the ease of comparative analysis, gross profit before reversal of impairment losses of inventories would be more reasonable for comparison.

5. Average trade receivable turnover days equal to the average of the opening and closing trade receivable balances divided by sales and then multiplied by the number of days in the relevant periods.

6. Average trade payable turnover days equal to the average of the opening and closing trade payable balances divided by cost of goods sold and then multiplied by the number of days in the relevant periods.

7. Average inventory turnover days equal to the average of the opening and closing inventory balances divided by cost of goods sold and then multiplied by the number of days in the relevant periods.

Investment segment

Investment segment was identified as a reportable segment for the year ended 31 December 2014, because the chief operating decision maker reviews the Group's internal reporting regarding investment activities in order to assess performance and allocate resources separately.

As at 31 December 2014, our balance of investments in available-for-sale financial assets are of RMB4,580 million, increased by RMB1,356 million as compared with that as at 31 December 2013. The increase was mainly because the fair value increment of shares of Alibaba Group Holding Limited (NYSE: BABA), held through Yunfeng e-Commerce A Fund, L.P. and Yunfeng e-Commerce B Fund, L.P. as well as the additional investment in certain available-for-sale financial assets.

Other gains for year 2014 is of RMB910 million, increased by 716 million as compared with that for year 2013. The increase is mainly attributable to the substantial gain from the disposal of 30% interests in the Group's investment in the shares of Alibaba Group Holding Limited (NYSE: BABA), which is held through Yunfeng e-Commerce A Fund, L.P. and Yunfeng e-Commerce B Fund, L.P..

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Year ended 31 December						
	2014			2013			
	RMB million	***% of product/ brand mix***	***% of Group sales***	*RMB million*	*% of product/ brand mix*	*% of Group sales*	*Change*
CHINA SEGMENT							
Kappa Brand							
Apparel	**583**	**71.2%**	**46.2%**	634	73.6%	44.8%	–8.0%
Footwear	**210**	**25.6%**	**16.6%**	199	23.1%	14.1%	5.5%
Accessories	**26**	**3.2%**	**2.1%**	28	3.3%	2.0%	–7.1%
Kappa Brand total	**819**	**100.0%**	**64.9%**	861	100.0%	60.9%	–4.9%
International business, RDK and others	**9**		**0.7%**	43		3.0%	–79.1%
CHINA SEGMENT TOTAL	**828**		**65.6%**	904		63.9%	–8.4%
JAPAN SEGMENT							
Phenix Brand	**294**	**67.7%**	**23.3%**	345	67.6%	24.4%	–14.8%
Kappa Brand	**140**	**32.3%**	**11.1%**	165	32.4%	11.7%	–15.2%
JAPAN SEGMENT TOTAL	**434**	**100.0%**	**34.4%**	510	100.0%	36.1%	–14.9%
THE GROUP TOTAL	**1,262**		**100.0%**	1,414		100.0%	–10.7%

China Segment

Total sales from the Kappa brand business, the core business of the Group, in 2014 was RMB819 million, decreased by RMB42 million from RMB861 million in 2013.

In order to cope with market pressure in 2014, the Group keenly transformed its philosophy of sales from being passive to being active. We identified terminal sales performance of each products and demands of consumer by analyzing sales data of retail stores on a regular basis, with an aim to respond forthwith, maintain rolling order for fast-moving products for ensuring adequate supply for customers, eliminate slow-moving products in due course for minimizing loss. In addition, our capacity of design, research and development has been enhanced so as to introduce a broad range of products for addressing the demands of young consumers. Having implemented a series of effective measures, the Group has successfully maintained its revenue stable, put a stop to sliding revenue for years in a row. On the other hand, adjustments have been made on terminal retail stores, including self-owned retail stores, through cooperation with our distributors, by closing down a number of stores with low efficiency while increasing the number of new stores. The number of Kappa brand retail stores increased to 1,210 as at 31 December 2014 from 1,183 as at 31 December 2013, the net increase of 126 recorded in the second half of 2014. Meanwhile, thanks to the enhancement of management and control on terminal retail stores by the Group, the efficiency of the stores has been substantially lift.

Japan Segment

Sales from Japan segment in 2014 decreased by RMB76 million to RMB434 million from RMB510 million in 2013. The decrease in sales of Japan segment was mainly due to the significant depreciation in Japanese Yen, slow sales in Japanese market and increase in sales return as compared with the corresponding period last year.

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

	Year ended 31 December				
	2014		2013		**Change**
	Sales ***RMB million***	**% of sales of Kappa brand**	Sales *RMB million*	% of sales of Kappa brand	
Wholesale	**534**	**65.4%**	700	81.3%	–23.6%
Retail	**285**	**34.6%**	161	18.7%	76.7%
Total of Kappa brand	**819**	**100.0%**	861	100.0%	–4.9%

Sales of Kappa brand products via wholesale channel in China segment decreased by RMB166 million to RMB534 million in 2014 from RMB700 million in 2013, representing 65.4% of the total sales of Kappa brand in China segment in 2014 as compared with 81.3% in 2013.

As at 31 December 2014, the number of self-owned retail stores operated by our subsidiaries reached 350. Sales via retail channel increased by RMB124 million to RMB285 million in 2014 from RMB161 million in 2013, representing 34.6% of the total sales of Kappa brand in China segment in 2014 (2013: 18.7%).

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

	Year ended 31 December					
	2014		2013		**Change**	
	ASP RMB	***Total units sold in ’000***	*ASP RMB*	*Total units sold in ’000*	*ASP*	*Total units sold*
Apparel	**159**	**3,564**	132	4,478	20.5%	–20.4%
Footwear	**185**	**1,105**	155	1,191	19.4%	–7.2%

Notes:

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

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

In 2014 and 2013, average selling prices per unit for apparel products were RMB159 and RMB132 respectively, and average selling prices per unit for footwear products were RMB185 and RMB155 respectively. Slight increases in average selling prices of apparel products and footwear products were mainly due to increase in share of sales of seasonal new products and increase in revenue from self-owned retail business.

Total units sold for apparel and footwear products in 2014, fell by 20.4% and 7.2%, respectively, as compared to the same period last year, which were primarily due to our initiative to decrease the distributors' target of sales orders for easing their inventory pressure and time difference of sales recognition between retail business and wholesale business.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group has dropped by RMB112 million to RMB621 million in 2014 (2013: RMB733 million).

In 2014, our gross profit before reversal of impairment losses of inventories has dropped by RMB41 million to RMB640 million (2013: RMB681 million). Our overall gross profit margin before reversal of impairment losses of inventories in 2014 rose by 2.5 percentage points to 50.7% from 48.2% in 2013.

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

	Year ended 31 December		
	2014	2013	**Change**
	Gross profit margin	*Gross profit margin*	*% pts*
China segment	**59.8%**	55.2%	4.6
Kappa Brand:			
Apparel	**62.2%**	58.9%	3.3
Footwear	**55.2%**	50.7%	4.5
Accessories	**63.1%**	63.1%	0.0
Kappa Brand overall	**60.5%**	57.2%	3.3
Japan segment	**33.4%**	35.7%	–2.3
Group overall	**50.7%**	48.2%	2.5

* Before reversal of impairment losses of inventories

Gross profit margin of Kappa Brand in China segment in 2014 rose by 3.3 percentage points to 60.5% from 57.2% in 2013. Such rise was mainly due to higher profit margin of new products maintained in 2014, with such new products taking up a higher proportion of the sales. Also, our self-owned retail business has kept an increased proportion of our sales.

Gross profit margin of Japan segment in 2014 was 33.4%, dropped by 2.3 percentage points as compared to 35.7% in the first half of 2013. Such decrease was mainly due to increase in production costs and increased discount offer for off-season inventory clearance.

Other Gains, Net

Other gains in 2014 was RMB910 million (2013: RMB194 million), of which RMB731 million was gain on disposal of financial assets, RMB280 million was income derived from the investment in financial assets.

Provision for Impairment of Available-for-sale Financial Assets

In 2014, the Group made fair value assessment on its available-for-sale financial assets in accordance with its accounting policy. In accordance with the assessment, the Group has not made further provision for impairment of available for-sale financial assets.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, advertising and marketing expenses, sales expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses in 2014 was RMB602 million (2013: RMB653 million), constituting 47.7% of the Group's total sales, increase of 1.6 percentage points as compared with that in 2013. The Group has further optimized resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

As a result of necessary adjustments made in internal organizational structure and human resources, efficiency of all staff members has increased, and our overall staff costs dropped by RMB10 million to RMB143 million in 2014 from RMB153 million in 2013;

In 2014, advertising and marketing expenses increased by RMB37 million to RMB81 million from RMB44 million in the same period last year. Moderate increase in advertising and marketing expenses during the period has improved market awareness of our brands.

In 2014, sales expenses increased by RMB22 million to RMB134 million from RMB112 million in 2013, such increase was mainly due to the opening of 7 retail subsidiaries of the Group in the second half of 2013, increasing retail related sales expenses;

In 2014, logistics and transportation fee decreased by RMB5 million to RMB66 million from RMB71 million in 2013. Inventory in the period has been further reduced by conducting further stock clearance for offseason products and adopting the sales method of "sales order + repunishment order" for new products. In addition, optimization and consolidation of procedures for stock transportation have cut down logistics fee;

In 2014, the Group took a more cautious approach in the investment in product development, which mainly drew on the Group's internal design resources. In 2014, our design and product development expenses was RMB45 million (2013: RMB48 million).

Operating Profit

In 2014, operating profit of the Group was RMB989 million (2013: RMB225 million). The operating profit margin was 78.4% in 2014 (2013: 15.9%).

Finance Income, Net

In 2014, finance cost net of the Group amounted to RMB14 million (2013: finance income net of RMB50 million) and interest income from bank deposit was RMB7 million (2013: RMB54 million), while foreign exchange losses in 2014 was RMB18 million (2013: RMB1 million).

Taxation

In 2014, income tax expense of the Group amounted to RMB62 million (2013: RMB72 million). The effective tax rate was 6.3% (2013: 26.2%).

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

Profit attributable to equity holders of the Company in 2014 was RMB915 million (2013: RMB210 million), and net profit margin of the Group was 72.5% (2013: 14.9%).

Earnings Per Share

The basic and diluted earnings per share were both RMB16.61 cents in 2014, increased by 334.8% against the basic and diluted earnings per share of RMB3.82 cents in 2013.

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

Final dividend and Final Special Dividend

The Company has paid an interim dividend and interim special dividend for the six months ended 30 June 2014 of RMB0.52 cent and RMB0.70 cent per ordinary share, respectively, with a total amount of RMB67,544,000.

The Board of the Company has recommended the distribution of a final dividend and a final special dividend of RMB4.44 cents and RMB5.91 cents per ordinary share, respectively (totalling RMB10.35 cent per ordinary share) for the year ended 31 December 2014.

The final dividend and final special dividend, subject to approval by the shareholders of the Company at the annual general meeting to be held on 20 May 2015, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.7916 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 24 March 2015. The dividend will be paid on or about 5 June 2015 to shareholders whose names appear on the register of members of the Company on 29 May 2015.

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

The Register of Members of the Company will be closed from 27 May 2015 to 29 May 2015 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2014 final dividend and final special dividend. In order to qualify for the 2014 final dividend and final 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 26 May 2015.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days in 2014 and 2013 were 96 days and 103 days, decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable.

Average trade payable turnover days in 2014 and 2013 were 76 days and 52 days respectively. Increase in average trade payable turnover days was primarily due to decrease in costs carried forward resulting from drop in sales for the year.

Average inventory turnover days in 2014 and 2013 were 141 days and 139 days respectively. Average inventory turnover days in the two years were substantially the same due to our proactive stock clearance for off-season products via various channels as planned in the year, resulting in a more healthy and reasonable inventory structure.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 91 days and 104 days, respectively in 2014 as compared to 85 days and 88 days, respectively in 2013. Average inventory turnover days were 104 days in 2014 as compared to 102 days in 2013.

Liquidity and financial resources

As at 31 December 2014, cash and bank balances (including long-term deposits) of the Group amounted to RMB2,546 million, an increase of RMB1,449 million as compared to a balance of RMB1,097 million as at 31 December 2013. This increase mainly due to 1) a redemption of capital guaranteed treasury products issued by banks of RMB1,471 million; 2) payment of 2013 final dividend and final special dividend as well as 2014 interim dividend and interim special dividend for an aggregate amount of equivalent to approximately RMB150 million; 3) cash inflow from operating activities of approximately RMB33 million; 4) investment on financial assets of approximately RMB1,807 million; 5) gains on disposal or divestment of available-for-sale financial assets of approximately RMB1,662 million; 6) gains on banking treasury products of approximately RMB200 million.

As at 31 December 2014, net assets attributable to our equity holders was RMB10,340 million (31 December 2013: RMB8,609 million). The Group's current assets exceeded current liabilities by RMB5,620 million (31 December 2013: RMB4,910 million). The Group also had a very strong liquidity position. The current ratio as of 31 December 2014 was 18.1 times (31 December 2013: 16.8 times).

As at 31 December 2014, the Group had no outstanding bank loans or other borrowings.

Investments in Available-For-Sale Financial Assets

As at 31 December 2014, our balance of investments in available-for-sale financial assets was RMB4,580 million, an increase of RMB1,356 million as compared with the balance of RMB3,224 million as at 31 December 2013. Such increase was mainly due to value appreciation of shares in Alibaba Group Holding Limited (NYSE: BABA) held by Yunfeng E-Commerce Funds which the Group has invested on as well as increase in investment on certain available-for-sale financial assets.

Pledge of assets

As at 31 December 2014, the Group had approximately RMB53 million (31 December 2013: RMB52 million) were held in banks as guarantee deposit for the issue of letters of credit.

Capital commitments and contingencies

In May 2013, the Group entered into a limited partnership agreement with Yunfeng Fund LP II, pursuant to which the Group subscribed a capital contributionship of USD20 million. In May 2014, the Group entered into a capital contribution transfer agreement with another limited partner of Yunfeng Fund LP II, increasing the Group's capital contribution to USD30 million. As at 31 December 2014, the Group paid a capital contribution of USD11.5 million with remaining balance of USD18.5 million (equivalent to approximately RMB113 million) as capital commitments.

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

Foreign exchange risk

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

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

Significant investments and acquisitions

The Group has made no significant investment or any material acquisition or disposal of subsidiaries for the year ended 31 December 2014.

OTHER INFORMATION

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

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices. 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") for the year ended 31 December 2014, except one deviation from provision A.2.1 of the CG Code.

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

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

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

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the standard for securities transactions by directors. The Company has made enquiries of all the directors and all the directors confirmed that they have complied with the required standards for the year ended 31 December 2014.

Audit Committee

The Audit Committee is responsible for overseeing the relationship with the Company's external auditor, review of the financial statements of the Company, and review and monitoring of the Group's financial reporting system and internal control. The Audit Committee discusses with the external auditor the nature and scope of audit and reporting obligations before the audit commences, and is responsible for reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard.

Members of the Audit Committee comprise Mr. Xu Yudi (Chairman), Dr. Xiang Bing and Mr. Gao Yu. The Audit Committee consists solely of independent non-executive directors, all of whom have extensive financial experience. Up to 31 December 2014, the Audit Committee had held three meetings in 2014.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the financial statements for the year ended 31 December 2014.

Purchase, Sale or Redemption of the Company's Listed Securities

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Annual General Meeting ("AGM")

The AGM of the Company will be held in Hong Kong on 20 May 2015. Notice of the AGM will be issued and disseminated to shareholders in due course.

To ascertain shareholders' eligibility to attend and vote at the annual general meeting, the register of members will be closed from 13 May 2015 to 20 May 2015 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify to attend and vote at the annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 12 May 2015.

Publication of Results Announcement

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

On behalf of the Board
China Dongxiang (Group) Co., Ltd.
Chen Yihong
Chairman

25 March 2015

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