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 2015

RESULTS HIGHLIGHTS

For the year ended 31 December

	2015	2014	Change
	(RMB million)	*(RMB million)*	
Revenue	**1,469**	1,262	16.4%
Gross profit (before provision for/reversal of impairment losses of inventories)	**826**	640	29.1%
Gross profit margin (before provision for/reversal of impairment losses of inventories)	**56.2%**	50.7%	5.5% pts
Operating profit	**1,005**	989	1.6%
Net profit for the year attributable to equity holders of the Company	**803**	915	–12.2%
	(RMB cents)	*(RMB cents)*	
Basic earnings per share	**14.56**	16.61	–12.3%
Final dividend and final special dividend per share	**5.03**	10.35	–51.4%

Together with the total interim and interim special dividend paid on 15 September 2015, the total dividends payout represents 60% of the Group's profit attributable to the equity holders in 2015.

CHAIRMAN'S STATEMENT

Dear Shareholders,

In early spring of 2016, on behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2015.

The past year saw lacklustre growth in the global economy, while the Chinese economy sustained steady development. Under persistent downside pressure, GDP and total retail sales of consumer goods were increased by 6.9% and 10.6% respectively compared to 2014. With the supporting of the government and the introduction of relevant policies, a growing number of investors and cross industry leaders have been tapping into the sporting industry, as its potential for driving the economy growth has become increasingly evident against the backdrop of China's economic transformation and the ongoing downside of the real economy. It was in this context that our people worked in concerted effort and progressed in a judicious manner to enhance the capacity of management, clarify brand positioning, identify and produce suitable products for the market. As entrepreneurship and innovation become important motivators for Chinese economy under the appeal of "public entrepreneurship and innovation" in recent years, management over financial investments has also been strengthened. On top of assuring sound development for our primary business, we have also cooperated with famous investment institutions, made full use of our capital to seize more rarely investment opportunities, and reaped considerable benefits.

The Group's revenue for the reporting period grew by 16.4% to RMB1,469 million. For Kappa China, revenue increased by 25.8%, year-on-year, to RMB1,030 million, while gross profit margin grew by 6.5 percentage points to 67.0% thanks to increased sales of new products, further improvements in the gross profit margin for new products and the percentage share of self-owned retail sales. While operating profit excluding investment gain increased by 170.8% to RMB260 million. Profit attributable to equity holders for the reporting period decreased by 12.2% to RMB803 million, basic earnings per share declined by 12.3%, year-on-year, to RMB14.56 cents. To reward shareholders for their support, the Board of Directors has proposed to distribute 30% and 30% of the net profit attributable to equity holders for the year ended 31 December 2015 as final dividend and special dividend, total dividend payout ratio will be 60%.

The Group has persisted in the business strategy of "engaging in direct competition while making surprise moves". We firmly believe that reforms that are able to pull off successes with surprise moves must be set in the right direction and implemented in a practicable manner. The Group continued to consolidate the business models of "brand + product" and "brand + retail" and drive strategic initiatives focused on brand positioning, operation model, marketing pattern and supply chain.

In connection with "brand + product", the Group adopted a dual approach. First of all, all products were designed to meet consumers' preferences and needs, as target consumer groups were identified through analysis and applications of retail data generated from retail end. Secondly, ongoing efforts were made to reinforce our brand image and develop a unique brand tonality by procuring stronger market penetration of the brand sound bite — "passionate, rebellious and outgoing" — in a bid to enhance the influence of the centenary Kappa name while assuring its product quality. In connection with brand publicity, other than full-scale, multi-dimensional advertising placements in media conducted on an ongoing basis, the Group also sponsored a number of offline marketing activities. It is also worth noting that Kappa products featured prominently in the hit movie *Detective Chinatown* (《唐人街探案》) and gained considerable exposure as a result of the huge popularity of the movie. The brand exposure and reputation of Kappa has been substantially enhanced through advertising placements with a much wider dimension, and consumers' perception of Kappa has been enriched with the style traits of trendiness, youthfulness and uniqueness.

Under the new business model of "brand + retail", the Group made dedicated efforts in detailed channel development. On the back of meticulous analyses and surveys in an in-depth research on the prospects of the domestic market for retail consumption, we focused our marketing efforts on prefecture-level cities and achieved notable results. As at the end of December 2015, the Group had a total of 1,267 Kappa stores, representing a net increase of 57 stores compared to the end of last year. These included 397 self-owned retail stores run by subsidiaries. Meanwhile, the Group acted swiftly to replace certain underperforming stores, resulting in improved quality and efficiency for its sales channel and effective enhancement of profitability on the retail end.

The Internet economy has now become an essential component of the economy as a whole. With exceptional market insight, our management commenced full-scale e-commerce operations some years ago, and the business is now reaping lucrative reward. Following the successful transformation of the Group's e-commerce operations with an optimised merchandise mix, revenue from off-season items as a percentage of total sales declined substantially, as the online shopping platform was selling new-season products instead of serving as an outlet for destocking off-season items. In the meantime, the Group was making strong efforts to develop exclusive products for the online channel, with a view to ensuring healthy channel development. Retail discounts were generally improved to the extent that substantial increase in sales revenue was assured. There was stable growth in gross profit margin, as profitability improved substantially as compared to the previous year. In the November 11th sales initiative in 2015, e-commerce sales doubled as compared to the same period of the previous year.

For a brand-oriented business model, the support of a strong supply-chain system is essential. On the basis of analyses conducted by our product operations team and through means such as building raw material reserves, strategic cooperation with suppliers, and utilisation of trading company resources, the supply chain's response to production requirements was accelerated and the ability to execute speedy replenishment in response to additional orders was generally improved, subject to reasonable control over production costs. The optimised supply chain has provided a solid foundation for the expansion of our sales business.

"A new Dongxiang calls for a new strategic layout." Confronted with the overall picture of the global economic downside and economic slowdown in China, the Group was engaged in constant rethinking about new business models and operational practices in 2015 in response to market developments, with a view to achieving further progress on top of assuring stable growth of its principal business of sports and leisure apparel. On the back of experience gained beforehand and contributions of dedicated personnel, the Group has gradually formed a brand new business profile featuring a two-pronged growth driver comprising the principal sportswear operations and the supplementary investment operations. Through a diverse range of investment projects, prudent risk management and control and effective investment planning, the Investment and Fund Management Department was investigating approaches to secure balance between fund security and reasonable income. The Group will leverage its existing resources and strengths to enhance cooperation with its investment partners, seeking to broaden opportunities for development by identifying and exploring projects with sound potential and strategic significance.

With an open mind and a strong commitment to progress in the pursuit of excellence, the Group will explore and innovate in a composed manner amidst such volatile economic conditions and embrace challenges with diversified approaches and thinking. Our solid foundation, professional design team, well-defined market positioning and century-old brand ethos of Kappa have been some of the invaluable assets underpinning the Group's development. Now, we can add to this list a two-pronged business profile that adds new driving force for the further enhancement of our enterprise value. Looking ahead, it's true that global economic uncertainties will continue to prevail. But then, success often emerges from difficulties and constraints. Hence we will continue to venture forward with courage and be relentless in our endeavor to build a better future for Dongxiang!

Chen Yihong
Chairman

22 March 2016

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 2015, together with the comparative figures for 2014, as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
Revenue	3	**1,468,891**	1,261,905
Cost of goods sold	4	**(643,288)**	(621,458)
(Provision for)/reversal of impairment losses of inventories	4	**(10,609)**	41,107
Gross profit		**814,994**	681,554
Distribution expenses	4	**(462,010)**	(428,429)
Administrative expenses	4	**(114,191)**	(174,028)
Other gains — net	5	**800,160**	909,518
Provision for impairment losses of available-for-sale financial assets	10	**(34,117)**	—
Operating profit		**1,004,836**	988,615
Finance income	6	**30,451**	6,961
Finance expenses	6	**(11,430)**	(20,705)
Finance expenses — net		**19,021**	(13,744)
Share of (loss)/profit of a investment accounted for using the equity method		**(2,876)**	256
Profit before income tax		**1,020,981**	975,127
Income tax expense	7	**(219,364)**	(61,718)
Profit for the year		**801,617**	913,409
Profit attributable to:			
— Owners of the Company		**802,901**	915,351
— Non-controlling interests		**(1,284)**	(1,942)
		801,617	913,409
Earnings per share attributable to owners of the Company for the year *(expressed in RMB cents per share)*			
— Basic earnings per share	8	**14.56**	16.61
— Diluted earnings per share	8	**14.56**	16.61
Dividends	13	**481,741**	640,746

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Profit for the year	**801,617**	913,409
Other comprehensive income that may be reclassified to profit or loss:		
Change in fair value of available-for-sale financial assets	**(1,041,826)**	966,332
Currency translation differences	**201,446**	(4,758)
Other comprehensive income for the year, net of tax	**(840,380)**	961,574
Total comprehensive income for the year	**(38,763)**	1,874,983
Attributable to:		
— Owners of the Company	**(37,479)**	1,876,925
— Non-controlling interests	**(1,284)**	(1,942)
Total comprehensive income for the year	**(38,763)**	1,874,983

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Lease prepayments		**11,437**	11,722
Property, plant and equipment		**75,402**	71,595
Intangible assets	9	**238,807**	247,512
Investments accounted for using the equity method		**144,617**	15,621
Deferred income tax assets		**73,423**	90,846
Available-for-sale financial assets	10	**3,911,487**	4,580,210
Financial assets at fair value through profit or loss — non-current portion		**219,252**	271,520
Prepayments, deposits and other receivables — non-current portion		**25,921**	88,643
Total non-current assets		**4,700,346**	5,377,669
Current assets			
Inventories		**225,809**	206,492
Trade receivables	11	**294,189**	318,210
Prepayments, deposits and other receivables		**3,893,494**	2,860,742
Financial assets at fair value through profit or loss		**257,897**	—
Cash and cash equivalents		**1,141,562**	2,492,586
Restricted cash		**67,648**	53,094
Total current assets		**5,880,599**	5,931,124
Total assets		**10,580,945**	11,308,793
EQUITY			
Equity attributable to owners of the Company			
Share capital		**53,589**	53,589
Share premium account		**940,705**	1,714,319
Other reserves		**8,536,812**	8,572,160
		9,531,106	10,340,068
Non-controlling interests		**17,584**	18,868
Total equity		**9,548,690**	10,358,936

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2015

		As at 31 December	
		2015	2014
	Note	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**58,041**	10,804
Current liabilities			
Other financial liability		**—**	609,020
Trade payables	12	**157,966**	155,711
Accruals and other payables		**196,705**	130,210
Current income tax liabilities		**140,133**	23,514
Borrowings		**454,552**	—
Provisions		**24,858**	20,598
Total current liabilities		**974,214**	939,053
Total liabilities		**1,032,255**	949,857
Total equity and liabilities		**10,580,945**	11,308,793
Net current assets		**4,906,385**	4,992,071
Total assets less current liabilities		**9,606,731**	10,369,740

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

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 22 March 2016.

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, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss which are carried at fair value.

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.

2.1.1 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following amendment to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Amendments from annual improvements to IFRSs — 2010–2012 Cycle, on IFRS 8, 'Operating segments', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' and IAS 24, 'Related party disclosures'.

- Amendments from annual improvements to IFRSs — 2011–2013 Cycle, on IFRS 3, 'Business combinations', IFRS 13, 'Fair value measurement' and IAS 40, 'Investment property'.

The adoption of the improvements made in the 2010–2012 Cycle has required additional disclosures in the segment note. Other than that, the remaining amendments are not material to the Group.

(b) New standards and interpretations not yet adopted

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning on 1 January 2015 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
IFRSs (Amendments)	Annual improvements 2012–2014 cycle	1 January 2016
IAS 1 (Amendment)	Disclosure initiative	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16 (Amendment)	Leases	1 January 2019

The Company is in the process of making an assessment of the impact of these new standards and amendments to standards upon initial application but is not yet in a position to state whether these new standards and amendments to standards would have any significant impact on its results of operations and financial position.

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

(c) New Hong Kong Companies Ordinance

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements, for a prolonged period, exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

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.

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 *RMB'000*	Japan *RMB'000*	Investment *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Year ended 31 December 2015					
Total revenue before inter-segment elimination	**1,068,624**	**418,521**	**—**	**—**	**1,487,145**
Inter-segment revenue	**(15,864)**	**(2,390)**	**—**	**—**	**(18,254)**
Revenue from external customers	**1,052,760**	**416,131**	**—**	**—**	**1,468,891**
Cost of goods sold	**(374,149)**	**(269,139)**	**—**	**—**	**(643,288)**
Provision for impairment losses of inventories	**(7,133)**	**(3,476)**	**—**	**—**	**(10,609)**
Segment gross profit	**671,478**	**143,516**	**—**	**—**	**814,994**
Other gains — net	**4,246**	**5,150**	**790,764**	**—**	**800,160**
Segment operating profit/(loss)	**295,849**	**5,721**	**744,828**	**(41,562)**	**1,004,836**
Finance income	**27,851**	**6**	**—**	**2,594**	**30,451**
Finance expense	**(9,177)**	**(9,727)**	**—**	**7,474**	**(11,430)**
Share of (loss)/profit of investments accounted for using the equity method	**—**	**54**	**(2,930)**	**—**	**(2,876)**
Profit/(loss) before income tax	**314,523**	**(3,946)**	**741,898**	**(31,494)**	**1,020,981**
Income tax expense	**(97,658)**	**(1,196)**	**(120,510)**	**—**	**(219,364)**
Profit/(loss) for the year	**216,865**	**(5,142)**	**621,388**	**(31,494)**	**801,617**
Material items of expense					
Depreciation and amortisation	**20,660**	**2,219**	**—**	**—**	**22,879**
Provision for impairment losses of available-for-sale financial assets	**—**	**—**	**(34,117)**	**—**	**(34,117)**
Provision for/(reversal of) impairment losses of trade and other receivables	**(43,027)**	**672**	**—**	**—**	**(42,355)**
Advertising and selling expenses	**211,355**	**41,142**	**—**	**—**	**252,497**

	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)
(Provision for)/reversal of 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 expense	2,980	(9,365)	—	(14,320)	(20,705)
Share of profit of investments accounted for using the equity method	—	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	22,238	4,696	—	—	26,934
Reversal of/(provision for) impairment losses of trade and other receivables	43,020	(9,589)	—	—	33,431
Advertising and selling expenses	172,082	42,791	—	—	214,873

The loss of RMB41,562,000 (2014: RMB45,069,000) 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:

	2015	2014
	RMB'000	*RMB'000*
China		
— Distribution of Kappa Brand products	**627,801**	534,008
— Retail of Kappa Brand products	**401,897**	285,510
— International business and others	**23,062**	8,269
	1,052,760	827,787
Japan		
— Distribution and retail of Kappa Brand products	**141,674**	141,061
— Distribution and retail of Phenix Brand products	**274,457**	293,057
	416,131	434,118
Turnover	**1,468,891**	1,261,905

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 2015					
Interests in investments accounted for using the equity method	**66,908**	**15,627**	**62,082**	**—**	**144,617**
Available-for-sale financial assets	**—**	**—**	**3,911,487**	**—**	**3,911,487**
Deferred income tax assets	**73,423**	**—**	**—**	**—**	**73,423**
Other assets	**2,020,196**	**361,609**	**4,110,443**	**117,946**	**6,610,194**
Total assets before inter-segment elimination	**2,160,527**	**377,236**	**8,084,012**	**117,946**	**10,739,721**
Inter-segment elimination	**(54,668)**	**(5,888)**	**—**	**(98,220)**	**(158,776)**
Segment assets	**2,105,859**	**371,348**	**8,084,012**	**19,726**	**10,580,945**
Deferred income tax liabilities	**—**	**3,586**	**54,455**	**—**	**58,041**
Current income tax liabilities	**139,130**	**1,003**	**—**	**—**	**140,133**
Other liabilities	**251,161**	**189,060**	**454,552**	**42,394**	**937,167**
Total liabilities before inter-segment elimination	**390,291**	**193,649**	**509,007**	**42,394**	**1,135,341**
Inter-segment elimination	**(5,931)**	**(54,761)**	**—**	**(42,394)**	**(103,086)**
Segment liabilities	**384,360**	**138,888**	**509,007**	**—**	**1,032,255**

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

As at 31 December 2015, the total non-current assets other than financial instruments and deferred tax assets located in the PRC amounted to RMB303,954,000 (2014: 325,852,000) and the total of these non-current assets located in other countries and places amounted to RMB63,239,000 (2014: RMB58,997,000).

4. EXPENSES BY NATURE

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

	2015	2014
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of goods sold	**643,288**	621,458
Advertising and selling expenses	**252,497**	214,873
Employee salary and benefit expenses	**152,448**	142,693
Logistic fees	**72,813**	65,821
Design and product development expenses	**41,563**	45,069
Operating lease in respect of buildings	**21,019**	21,174
Travelling expenses	**14,512**	14,871
Amortisation of lease prepayments and intangible assets	**12,782**	13,092
Provision for/(reversal of) impairment of inventories	**10,609**	(41,107)
Depreciation of property, plant and equipment	**10,097**	13,842
Legal and consulting expenses	**5,716**	4,984
Auditors' remuneration		
— Audit services	**2,475**	2,500
— Non-audit services	**1,107**	2,183
Provision for/(reversal of) impairment of trade and other receivables	**(42,355)**	33,431
Others	**31,527**	27,924
	1,230,098	1,182,808

5. OTHER GAINS — NET

	2015	2014
	RMB'000	*RMB'000*
Gain on disposal of available-for-sale financial assets	**476,955**	731,497
Investment income from financial assets	**418,964**	280,304
Change in fair value	**(106,355)**	1,669
Government subsidy income	**4,569**	3,791
Loss recognised in relation to other financial liability	**—**	(119,285)
Others — net	**6,027**	11,542
	800,160	909,518

6. FINANCE EXPENSES — NET

	2015	2014
	RMB'000	*RMB'000*
Finance income:		
— Foreign exchange gain	**19,459**	—
— Interest income	**10,992**	6,961
	30,451	6,961
Finance expenses:		
— Foreign exchange losses	**(6,377)**	(17,582)
— Others	**(5,053)**	(3,123)
	(11,430)	(20,705)
Finance expenses — net	**19,021**	(13,744)

7. INCOME TAX EXPENSE

	2015	2014
	RMB'000	*RMB'000*
Current income tax		
— PRC corporate income tax ("CIT")	**169,254**	76,647
— Taxation in Japan	**803**	858
Deferred income tax	**49,307**	(15,787)
	219,364	61,718

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 2015 (2014: 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. As at 31 December 2015, the Group had provided a deferred accrualing tax liability amounted to RMB39,103,000 (2014: RMB30,136,000 reversed) in relation to the profit of the PRC subsidiaries that will be distributed.

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 2015 applicable to the subsidiary is 30% (2014: 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 2015 (2014: 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.

	2015	2014
Profit attributable to owners of the Company *(RMB'000)*	**802,901**	915,351
Weighted average number of ordinary shares in issue less shares held for Restricted Share Award Scheme *(thousands)*	**5,512,580**	5,511,030
Basic earnings per share *(RMB cents per share)*	**14.56**	16.61

(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 2015, there was no potential diluted ordinary share (2014: 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 2014				
Closing net book amount	230,554	7,602	9,356	247,512
Year ended 31 December 2015				
Closing net book amount	224,152	7,387	7,268	238,807

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015 *RMB'000*	2014 *RMB'000*
Available-for-sale financial assets — current and non-current portion		
At 1 January	**4,580,210**	3,223,605
Currency translation differences	**184,408**	11,574
Additions	**707,531**	789,908
Disposals — cost	**(484,719)**	(440,834)
Disposals — fair value reclassified to income statement	**(476,955)**	(731,497)
Change in fair value	**(564,871)**	1,727,454
Provision for impairment	**(34,117)**	—
At 31 December	**3,911,487**	4,580,210

11. TRADE RECEIVABLES

	2015 *RMB'000*	2014 *RMB'000*
Trade receivables		
— Third parties	**312,107**	346,250
— Related parties	**108,330**	155,720
	420,437	501,970
Less: provision for impairment	**(126,248)**	(183,760)
Trade receivables, net	**294,189**	318,210

The Group's sales are mainly made on credit terms ranging from 30 to 60 days. The ageing analysis of trade receivables as at 31 December 2015 and 2014 was as follows:

	2015 *RMB'000*	2014 *RMB'000*
Within credit terms	**239,027**	270,617
Within 30 days	**88,323**	45,629
31 to 120 days	**53,546**	103,418
Over 120 days	**39,541**	82,306
	420,437	501,970

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 2015, trade receivables of RMB181,410,000 (2014: RMB231,353,000) were past due, of which RMB126,248,000 (2014: RMB183,760,000) 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. Movements on the Group's provision for impairment of trade receivables are as follows:

	2015 *RMB'000*	2014 *RMB'000*
At 1 January	**183,760**	183,664
Provision for/(reversal of) impairment losses of receivables	**(57,870)**	369
Exchange difference	**358**	(273)
At 31 December	**126,248**	183,760

12. TRADE PAYABLES

The ageing analysis of trade payables as at 31 December 2015 and 2014 was as follows:

	2015 *RMB'000*	2014 *RMB'000*
Within credit terms	**90,403**	107,686
Within 30 days	**58,253**	37,861
31 to 120 days	**1,509**	1,991
Over 120 days	**7,801**	8,173
	157,966	155,711

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

13. DIVIDENDS

	2015	2014
	RMB'000	*RMB'000*
Interim dividend paid of RMB1.57 cent (2014: 0.52 cent) per share	**86,921**	28,789
Interim special dividend paid of RMB2.10 cent (2014: 0.70 cent) per share	**116,265**	38,755
Proposed final dividend of RMB2.78 cent (2014: 4.44 cent) per share	**153,949**	245,816
Proposed final special dividend of RMB2.25 cents (2014: 5.91 cent) per share	**124,606**	327,386
	481,741	640,746

The dividends paid in 2015 amounted to RMB776,388,000 or RMB14.02 cents per share (2014: RMB150,036,000 or RMB2.71 cents per share), comprising 2014 final dividend and final special dividend totally RMB573,202,000 and 2015 interim dividend and interim special dividend totally RMB203,186,000. The dividends of RMB3,329,000 (2014: RMB676,000) were paid to the shares held for Restricted Share Award Scheme.

Pursuant to a resolution passed on 22 March 2016, the board of directors of the Company proposed a final dividend and final special dividend of RMB2.78 cents and RMB2.25 cents per ordinary share of the Company, amounting to RMB153,949,000 and RMB124,606,000 for the year ended 31 December 2015 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 18 May 2016.

The aggregate amounts of the dividends paid during 2015 and 2014 have been disclosed in the consolidated income statement in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

14. COMPARATIVE FIGURES

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

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC REVIEW

Global economic growth continued to slow down in 2015, notably underpinned by low levels of business growth, trade turnover and inflation coupled with a high level of debts. The impending normalisation of the U.S. monetary policy, continuous instability in the Eurozone, potential spillover of geo-political conflicts and intractable flaws in emerging economies interacted upon one another and contributed to sluggish economic growth across the globe. Upheavals in the commodities market was matched by multiple significant corrections in the international financial market, although improvements in the financial landscapes of and the increase in investments by certain major emerging countries somewhat alleviated the downside.

The Chinese economy reported smooth and stable progress during the past year in the midst of ongoing downside pressure. While there was a notable slowdown in the growth of traditional industries and industrial manufacturing, GDP contributions were markedly higher from a financial sector driven by developments in the capital markets. Retail consumption in the country sustained stable growth as the middle-class population continued to expand in the new normal phase of China's economic development, while the spending mix was underpinned by a shift from low-end goods and daily necessities to high-end goods and services. Retail consumption in 2015 as a percentage of overall GDP increased by 9.9 percentage points as compared to 2014.

INDUSTRY OVERVIEW

The sporting industry has been at the tip-top of economic growth, driven by the demand for a healthy lifestyle in tandem with rising living standards. With the promulgation of "Several Opinions of the State Council on Expediting the Development of the Sportswear Industry and Encouraging Sports Consumption" and other government documents adding assurance for the development of the sporting industry, investors across the board have been committing themselves to the sector, resulting in successive annual growth in the sector as a percentage of GDP.

The potential of the domestic sporting industry and its inherent opportunities for development is simply beyond imagination. In this connection, the following major trends of development have been particularly noteworthy: 1. Convergence with the sporting service sector to build a more complete sporting industry chain and integrated sporting platform; 2. Convergence with the Internet industry to drive end-to-end development of the sporting industry with the application of new technologies; 3. Convergence with the upgrade and transformation of China's industrial sector in general to manufacture smart products. Enormous opportunities for adding value are present in various specific sub-segments, such as sports tourism, sportswear operators and others. As such, the sportswear industry is set to grow further and make progress in specialised areas such as e-commerce and smart applications.

BUSINESS REVIEW

In 2015, 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

In addition to brand-building through a combination of online and offline activities, the Group also made vigorous efforts to enhance publicity for the collaborated products and its brand name in active collaboration with fashion and sports media during the second half of 2015. Furthermore, brand exposure and reputation has been significantly enhanced by product placements in hit movies.

During the second half of 2015, massive media advertisements were placed mainly for the presentation of Kappa's brand history and promotion of key products, such as cotton and down feather products. Our partners in graphic media included mainstream sporting and fashion magazines with dominant market shares, such as YOHO!® (《YOHO!潮流誌》), SIZE Life (《SIZE潮流生活》), Milk, RayLi and ViVi. The one-of-a-kind trendy sporting style of the brand was further manifested, as the "passionate, rebellious and outgoing" Kappa character was unmistakably conveyed to consumers through these placements.

In connection with offline initiatives, we attempted at blending the character and tonality of the Kappa brand into popular sporting games among young people, such as darting and billiard, through activities in the Kappa X Feige Arena tournament season. Based on the attributes of the tournament season, multi-faceted promotional activities across different platforms was frequently conducted. More than 10 tournaments were organised at the Black & White Bar of Beijing and AEC CAFÉ 751 at the centre of the Beijing bar culture. The influence of the Kappa brand was enhanced as fans of trendy sports across different professional sectors were attracted to the occasions.

Elsewhere, the Kappa x Taihe "Celebration of Sounds" (眾音贊放) Music Tour started off with a bang in the second half of 2015. Through the proprietary music crowdfunding platform of Taihe Rye Music, we secured live house performance opportunities for domestic rock & roll bands and musicians and tried to identify new idols with a genuine spirit for music-making. These activities were in perfect tandem with the character of Kappa as a rebellious trendsetter, providing a lively elucidation of the Kappa spirit that highlighted its uniqueness.

It is worth noting that, in a year that saw increasing influence of the television and the cinema, Kappa embarked on visionary joint campaigns with leading video websites, as well as blockbuster movies and TV dramas. At a viewing season activity of Tudou (土豆網) held in August 2015, Kappa showcased the Kappa x CLOT joint products. The said activity was a PR and brand-building extravaganza on the subject of youth culturedrawing on online and offline resources, aiming to present first-hand knowledge on the essence of youth culture through in-depth investigation of youth culture and sub-culture. Elsewhere, Kappa apparel and footwear also featured in the high-grossing and favourably reviewed movie *Detective Chinatown* (《唐人街探案》) which was released in December 2015. The film remained a subject of avid discussion across all walks of life while on show in theatres and concluded with a staggering box-office revenue of RMB800 million, while the costumes of the leading cast in the movie were also closely followed. The youthful and passionate spirit depicted in the movie was a fine match with the Kappa brand spirit.

Japan — Kappa brand

To coincide with the landmark of Kappa's 100th anniversary, marketing in Japan was focused on increasing consumers' understanding and reshaping their recognition of the brand to enhance its image. To adapt itself to information access in the digital age and expose the brand to more diversified means of publicity, Kappa Japan opened a facebook account and made improvements to the visuals of the brand's website during the year. The brand culture was enhanced through the adoption of a popular Italian slogan—"PEOPLE ON THE MOVE." Joint promotion under the theme of "Italian Impressions" was launched in association with "EVEN," an up-market golf magazine, to show the fashion and functionality of our golf products.

Free gifts upon purchases were offered by the soccer and golf sections to stimulate consumption on the one hand and promote relevant products on the other, in a bid to expose such products to a larger group of potential buyers. Following the conclusion of the GO STYLISH Campaign, the sold-out ratio of campaign-related merchandise improved by 3%. Meanwhile, Kappa continued to sponsor professional sporting groups in the second half of 2015, including J2 soccer teams, the Nitori running team, and selected professional golfers. While highlighting the fundamental positioning of Kappa as a sporting brand, such sponsorships also turned supporters of the sports teams and players into loyal customers of the brand.

Japan — PHENIX brand

In connection with PHENIX SKI, the publicity function of the FACTORY TEAM was enhanced by the introduction of a mechanism for direct dissemination of information to consumers, in addition to news announcements through the corporate SNS, to strengthen brand communication. Promotion of the PHENIX OUTDOOR series was mainly conducted by way of outdoor activities with effective communication of related information through the press release service. We sought to attract ongoing patronage and additional sales for our online stores through stronger cooperation with media. Facebook subscriptions in 2015 increased tremendously as compared to 2014, as we sought to attract customers by making the most of social media.

Given the prevalence of online shopping in the modern society, our Japanese team renovated its official website and facilitated simultaneous, direct broadcast of information of the Phenix Ski collection on its facebook page and blog. Meanwhile, an online function was installed to allow consumers to choose apparel of different colours, tinker with top/bottom matching, and confirm his/her favourite colours and mix-and-matches, thereby fueling their desire to buy. While sustaining sales for its existing brand, Phenix was also launching new fashion series, such as the FREESTYLE Series, to revive "dormant customers" (those in the 40-50 age group who had once been fans of skiing) by displaying the fashionable side of its image.

A variety of complementary offline and online activities were organized. On 11 September 2015, a presentation under the theme of "Phenix Free Ride Night" was held in Harajuku hosting 105 participants, including members of the media. The event was covered by 9 media, as well as being liked, shared and commented on by many viewers on Facebook. As the sponsor of the national skiing team of Japan, Phenix issued a press release through PR Times at the press conference for the takeoff of the Japanese team, resulting in considerable publicity through enhanced exposure and brand recognition.

Japan — X-niX brand

In view of intense competition, X-niX monitored market developments closely and capitalised on the prevailing trend of "low price fashion" to launch the brand new 2015FW pants, featuring a blend of functionality, substance and fashion with a subtle cultural character, and achieved sales differentiation. The brand was promoted through SNS advertisements, which guided Internet users searching ski-related key words to the online shop. X-niX also cooperated with professional athletes to insert advertising materials in their personal SNS and show the brand logo in relevant activities, in order to increase consumers' recognition of the professionalism of X-niX.

Japan — Inhabitant brand

Inhabitant conducted its brand marketing primarily through a combination of sponsorships and offline activities. Sponsorships included the J-WAVE Day organised by FM Network on 13 August, the Niigata bicycle race and the "JAPAN OPEN Skateboard Contest Series" in Miyagi organised by the roller-ski skate federation of Japan on 23 September. In addition to the supply of professional outfits for participants, inhabitant also offered tailor-made services for special items to increase consumers' brand loyalty.

Moreover, the brand hosted a snow festival (大雪切願祭) starting 28 August and launched relevant promotional initiatives. To commemorate the launch of "inhabitant" on 18 March 1999, the 18th day of each has been designated as "Inhabitant Day," on which marketing activities such as free gifts through redemption of points, gift cards, and free trials. These activities have further enhanced publicity for the products and contributed to stronger consumers' desire to buy.

Product Design and Research and Development

Apparel Series

ESSENTIAL Series

As the name suggests, the ESSENTIAL Series is a highly versatile classic, for Kappa has never ceased to attempt at constant reinterpretations of its classical models. For the Fall/Winter season of 2015, softer materials and more adaptable cuttings have added a freshness to the ESSENTIAL Series, while contrasting colour patches between the upper and the lower, spectacular long-stitch designs, moderate lengths and slim splicing have instilled the energy of the sporting youth and the dynamism of flamboyant colours to part ways with clumsy and gloomy winter wear. Trends change fast but a classic stands the test of time. The Kappa design team constantly find themselves at the forefront of fashion trends with an astute sense of the avant-garde, remembering always that the brand is all about good taste and comfort.

KOLOR Series

To be young is to dare to clash, to be passionate and to break rules. Inspired by the chic and carefree city boy, the KOLOR Series featured bold colour clashes and ultimate retro tri-colour patches. Based on the signature minimalist design of the brand, the series tracked the style of U.S. campus attire and made a case for overlaps, ensuring comfort and aesthetical qualities while providing an excellent leisure dress. The light and soft fabric has heat retention properties while highlighting the purpose of the design. This has been KOLOR's most spectacular season so far, as a classical series of Kappa. In a word, character matters most for the KOLOR Series.

Kappa KOMBAT Series

The understated but solid KOMBAT Series is unique among all Kappa series. The horizontal long-stitches inside premium two-sided knit materials have substantially enhanced the functional value of the KOMBAT Series. The exceptional upside-down triangular cutting produced a broad but sturdy, smart-looking profile with a wonderful shaping effect, making it a combat gear in its truest sense. The brand heritage of the KOMBAT Series was evident even in its details, such as the exquisite embroidered logo and the retracted hem and sleeves which produced a balanced visual effect while identifying with the history and tradition of the brand.

K-Star Series

The K-Star Series has given a new lease of life to its customary baseball outfit through basics such as colour clashes, splices and creative profiling. The street sports identity was reinforced by the signature large-digit numbers embroidered on the shirt, while the lively use of large-prints and stripes provided additional retro features for the overall design. The variety in length and materials, meanwhile, provided fashionistas with enriched choices. There is no shortage of the fun of matching, as each item in the series can serve either as a basic gear perfect for free matching, or a fashion in itself.

Shoes Series

The Kappa Shoes Series, who enjoys a strong reputation in the footwear sector, has always excelled in its ability to strike a perfect balance between functionality and aesthetic appearance, as well as its meticulous emphasis on details. In close tandem with popular trends, the brand created a number of versatile models for style gurus. Designs of the 1970s and 1980s were reinvented using current trendy elements, as Kappa's unrivaled craftsmanship was manifested in features such as the combination of nylon and leather, random colour matching, and miniature reflective materials. The style of Kappa as a leading sporting brand was further showcased in its relentless effort to assure maximum comfort, as evidenced by the development more ergonomically-friendly designs, complemented by rubber materials with stronger anti-abrasion properties and Phylon materials noted for shock absorption.

Accessories Series

The fashionista's outfit cannot be complete without the right accessories. Accessories are nothing less than a personal fashion statement, an important clue that tells about your ability to mix and match. The Kappa brand does not only emphasise the design of a product in itself: we always take heed of what effect this product creates in light of the overall image of the person who puts it on. Be it the highly identifiable K-Star Series, or the ESSENTIAL Series which emphasises the mix-and-match function of individual products, convenience in use always constitutes, without exception, another important criterion in design, in addition to the neat capture of trendy elements. The flapped backpack with multiple internal partitions is just one example of the perfect combination of youthful energy, dignity, functionality and aesthetics. Splicing and bold tones, meanwhile, brilliantly express the passionate and flamboyant qualities of the Kappa brand. The full range of Kappa accessories offers a wide variety of choices for the fashion-conscious community with their supreme functionality and distinctive fashionable appearance.

Upgrading our retail network

During the period under review, the Group continued to optimize its retail network, enhance store performance, assess its store network and make adjustments accordingly, with the aim of consolidating its business model of "brand + retail." There were notable improvements in the efficiency of new stores as compared to closed ones after the replacement of certain underperforming stores. As at 31 December 2015, the Group had a total of 1,267 Kappa retail stores, representing a net increase of 57 stores as compared to the end of last year. The comparable store performance of Kappa brand of the China segment for 2015 increased by 12.2% as compared to the same period of last year.

Under the Group's model of overall product management and thanks to the concerted effort of the operating teams of our subsidiaries, a total of 397 retail stores were operated by our subsidiaries in 2015. Our self-owned retail network was further expanded to cover additional prefecture-level cities.

On the e-commerce front, the Group has successfully completed the transformation of its e-commerce operations following proactive realignments to its sales mix and further optimization of its sales channels. Substantial improvements in both revenue and gross profit margin of sales generated from e-commercial terminals were reported, as there was a notable decline in revenue from off-season items as a percentage of total sales, while strong efforts were made to develop products available for online sales only. In the November 11th sales initiative in 2015, e-commerce sales were doubled as compared to the same period of the previous year.

Increasing the contributions of Group projects

Against less than favourable macro-economic conditions underpinned by downside pressure, the Group nevertheless achieved steady progress in its principal operations in 2015. On the back of experience gained before and contributions of dedicated personnel, the Group has gradually formed a brand new business profile featuring a two-pronged growth driver comprising the principal sportswear operations and the supplementary investment operations, and has reaped satisfactory reward for 2015. Through a diverse range of investment projects, prudent risk management and control and effective investment planning, the Investment and Fund Management Department was investigating approaches to secure balance between fund security and reasonable income. Looking to the future, the Group will continue to leverage its existing resources and strengths to enhance cooperation with its investment partners, with a view to generating long-term stable income for shareholders in a risk-proof approach.

OUTLOOK

In 2015, we welcomed a booming period in the development of the sporting industry, although it was followed by setbacks such as the warm winter and lacklustre global economy. Nevertheless, our prudent business model, distinctive brand ethos and increasingly stable investment business has enabled us to stand tall in the fast-changing market for sporting goods and maintain a high ratio of return to shareholders.

In 2016, China Dongxiang will continue to focus on enhancing its brand value and introduce product innovation with reasonable application of resources. The business model of "Brand + Retail" will be further extended to cover channel management, with a view to procuring effective growth and long-term network development of terminal channels. We will continue to identify talents with the right calibre and skills in line with our belief in the recruitment of talents without boundaries. We will also develop a more practical system for communication and collaboration to enhance the working efficiency and comprehensiveness of our operational plans.

2015 is now a page in history. In retrospect, we have conducted ourselves in great composure, giving way to neither complacency nor disheartened feelings. Looking to the new year, we are prepared to embark on a new journey with passion and motivation. The full integration of operations in China and Japan, the re-introduction of Phenix, which is the undisputable leader in ice sports, the eminent relaunch of the kids business, and the centenary of the Kappa brand. In 2016, there will be more mountains to conquer and more challenges to overcome for the people of Dongxiang, who will continue to chart new heights with broader prospects in full determination, striving to reward every loyal shareholder with strong returns.

FINANCIAL REVIEW

The sales of the Group in 2015 was RMB1,469 million, increased by 16.4% as compared to RMB1,262 million in 2014. Profit attributable to equity holders in 2015 was RMB803 million, decreased by 12.2% as compared to RMB915 million in 2014.

Sales Analysis

Sales analyzed by geographical segments, business segments and product categories

	Year ended 31 December						
	2015			2014			
	RMB million	***% of product/ brand mix***	***% of Group sales***	*RMB million*	*% of product/ brand mix*	*% of Group sales*	**Change**
CHINA SEGMENT							
Kappa Brand							
Apparel	**737**	**71.6%**	**50.2%**	583	71.2%	46.2%	26.4%
Footwear	**268**	**26.0%**	**18.2%**	210	25.6%	16.6%	27.6%
Accessories	**25**	**2.4%**	**1.7%**	26	3.2%	2.1%	–3.8%
Kappa Brand total	**1,030**	**100.0%**	**70.1%**	819	100.0%	64.9%	25.8%
International business, RDK and others	**23**		**1.6%**	9		0.7%	155.6%
CHINA SEGMENT TOTAL	**1,053**		**71.7%**	828		65.6%	27.2%
JAPAN SEGMENT							
Phenix Brand	**274**	**65.9%**	**18.6%**	294	67.7%	23.3%	–6.8%
Kappa Brand	**142**	**34.1%**	**9.7%**	140	32.3%	11.1%	1.4%
JAPAN SEGMENT TOTAL	**416**	**100.0%**	**28.3%**	434	100.0%	34.4%	–4.1%
THE GROUP TOTAL	**1,469**		**100.0%**	1,262		100.0%	16.4%

China Segment

Total sales of the Kappa brand business, the core business of the Group, in 2015 was RMB1,030 million, increased by RMB211 million from RMB819 million in 2014.

In the reporting period, the Group continued to make dedicated efforts in consolidating the business models of "brand + product" and "brand + retail". In terms of "brand + product", we engaged in product development with clear brand positioning, further elevating the quality and style of our products in a bid to satisfy the needs of the target consumer groups well; in terms of "brand + retail", we continue to optimize and apply a model in control and management based on the product life cycle, maximizing consumers' satisfaction by relying on the quick response of the supply chain system for timely stock replenishment. As the sportswear industry steadily rebounded, the Group also optimized and moderately expanded our retail channels. As a result we had a net increase of 57 retail stores with improved store performance, representing 1,267 Kappa retail stores in total as compared to 1,210 at the end of 2014. The comparable store performance also increased by 12.2% as compared to last year.

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

	Year ended 31 December				
	2015		2014		**Change**
	Sales *RMB million*	**% of sales of Kappa brand**	Sales *RMB million*	% of sales of Kappa brand	
Wholesale	**628**	**61.0%**	534	65.2%	17.6%
Retail	**402**	**39.0%**	285	34.8%	41.1%
Total of Kappa brand	**1,030**	**100.0%**	819	100.0%	25.8%

Sales of Kappa brand products via wholesale channel in China segment increased by RMB94 million to RMB628 million in 2015 from RMB534 million in 2014, representing 61.0% of the total sales of Kappa brand in China segment in 2015 as compared to 65.2% in 2014.

As at 31 December 2015, the number of self-owned retail stores under Kappa brand operated by our subsidiaries in China reached 397. Sales via retail channel increased by RMB117 million to RMB402 million in 2015 from RMB285 million in 2014, representing 39.0% of the total sales of Kappa brand in China segment in 2015 (2014: 34.8%).

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

	Year ended 31 December					
	2015		2014		**Change**	
	ASP *RMB*	**Total units sold** *in '000*	ASP *RMB*	Total units sold *in '000*	**ASP**	**Total units sold**
Apparel	**207**	**3,553**	159	3,564	30.2%	–0.3%
Footwear	**214**	**1,244**	185	1,105	15.7%	12.6%

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 2015 and 2014, average selling prices per unit for apparel products were RMB207 and RMB159 respectively, and average selling prices per unit for footwear products were RMB214 and RMB185 respectively. Significant increases in average selling prices of apparel products and footwear products were mainly due to remarkable increase in share of sales of seasonal new products and increase in share of revenue from self-owned retail business.

Total units sold for apparel products in 2015 were substantially parallel to the same period last year, which were primarily due to lower purchase orders target made by our Group and the difference of timing of sales recognition between retail and wholesale businesses. Total units sold for footwear products in 2015 significantly increased by 12.6%, as compared to the same period last year, which were primarily due to wide acceptance of our footwear new arrivals and classic footwear collection by the market.

Japan Segment

Sales from Japan segment in 2015 slightly decreased by RMB18 million to RMB416 million from RMB434 million in 2014. The decrease in sales of Japan segment was mainly due to recession in retail market remained in Japan.

Cost of Goods Sold and Gross Profit

Cost of goods sold of the Group has risen by RMB22 million to RMB643 million in 2015 (2014: RMB621 million).

In 2015, our gross profit before provision for/reversal of impairment losses of inventories has increased by RMB186 million to RMB826 million (2014: RMB640 million). Our overall gross profit margin before provision for/reversal of impairment losses of inventories in 2015 rose by 5.5 percentage points to 56.2% from 50.7% in 2014.

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

	Year ended 31 December		
	2015	2014	**Change**
	Gross profit margin	*Gross profit margin*	*% pts*
China Segment	**64.5%**	59.8%	4.7
Kappa Brand:			
Apparel	**69.5%**	62.2%	7.3
Footwear	**60.1%**	55.2%	4.9
Accessories	**66.1%**	63.1%	3.0
Kappa Brand overall	**67.0%**	60.5%	6.5
Japan segment	**35.3%**	33.4%	1.9
Group overall	**56.2%**	50.7%	5.5

Gross profit margin of Kappa Brand in China segment in 2015 rose by 6.5 percentage points to 67.0% from 60.5% in 2014. Such rise was mainly due to higher profit margin of new products achieved in 2015, with such new products taking up a higher proportion of the sales. Also, our self-owned retail business has kept an increased proportion of our sales.

Gross profit margin of Japan segment in 2015 is rebounded by 1.9 percentage points to 35.3% from 33.4% in 2014 after years of decrease in gross profit margin.

Other Gains, Net

Other gains net in 2015 was RMB800 million (2014: RMB910 million).

Investment segment

Revenue from investment segment of the Group in 2015 was RMB791 million (2014: RMB893 million), the revenue consisted of gains on interests of banking treasury products and borrowings of RMB277 million, gains on disposal of certain investments of RMB477 million and investment income from available-for-sale financial assets of approximately RMB142 million.

Distribution Expenses and Administrative Expenses

Distribution expenses and administrative expenses mainly comprised employee salaries and benefit expenses, brand promotion expenses, sales operating expenses, logistic fees and design and product development expenses. Total distribution expenses and administrative expenses in 2015 was RMB576 million (2014: RMB602 million), constituting 39.2% of the Group's total sales, decrease of 8.5 percentage points as compared with that in 2014. The Group has further optimized resources allocation and improved cost structure, in a bid to enhance production efficiency subject to reasonable cost control.

As a result of necessary adjustments made in internal organizational structure and human resources of China segment and Japan segment, efficiency of all staff members has increased but overall staff costs have maintained substantially at the same level in 2014 due to our proper control of staff costs. Our overall staff costs slightly increased by RMB9 million to RMB152 million in 2015 from RMB143 million in 2014;

In 2015, brand promotion expenses increased by RMB26 million to RMB107 million from RMB81 million last year. The increase was attributable to the increase in Kappa brand promotion expenses during the period to increase our brand value and consumers' awareness of our brands;

As a result of the Group's growth of sales, the sales operating expenses slightly increased by RMB11 million to RMB145 million in 2015 as compared to RMB134 million in 2014;

In 2015, logistics fee increased by RMB7 million to RMB73 million as compared to RMB66 million in 2014. The increase was also attributable to the growth of sales;

In 2015, the Group continued to take a more cautious but effective approach in investment in product development. Our design and product development expenses was RMB42 million (2014: RMB45 million).

Operating Profit

In 2015, the operating profit of the Group was RMB1,005 million (2014: RMB989 million) and the operating profit of the Group, net of gain on investments, was RMB260 million (2014: RMB96 million). In 2015, the operating profit margin was 68.4% in 2015 (2014: 78.4%) and the operating profit margin, net of gain on investments, was 17.7% (2014: 7.6%).

Finance Revenue, Net

In 2015, net financial income of the Group amounted to RMB19 million (2014: net finance cost of RMB14 million), which consisted of interest income from bank deposit of RMB11 million (2014: RMB7 million) and foreign exchange gains, net of RMB13 million (2014: foreign exchange losses, net of RMB18 million) in the reporting period.

Taxation

In 2015, income tax expense of the Group amounted to RMB219 million (2014: RMB62 million). The effective tax rate was 21.5% (2014: 6.3%).

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

Profit attributable to equity holders of the Company in 2015 was RMB803 million (2014: RMB915 million), and net profit margin of the Group was 54.7% (2014: 72.5%).

Earnings Per Share

The basic and diluted earnings per share were both RMB14.56 cents in 2015, decreased by 12.3% against the basic and diluted earnings per share of RMB16.61 cents in 2014.

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

Final Dividend and Final Special Dividend

The Company has paid an interim dividend and interim special dividend for the six months ended 30 June 2015 of RMB1.57 cent and RMB2.10 cent per ordinary share, respectively, with a total amount of RMB203,186,000.

The Board of the Company has recommended the distribution of a final dividend and a final special dividend of RMB2.78 cents and RMB2.25 cents per ordinary share, respectively (totalling RMB5.03 cent per ordinary share) for the year ended 31 December 2015.

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 18 May 2016, will be paid in Hong Kong Dollars based on the rate of HKD1.00 = RMB0.83594 being the official exchange rate of Hong Kong dollars against Renminbi as quoted by the People's Bank of China on 21 March 2016. The dividend will be paid on or about 2 June 2016 to shareholders whose names appear on the register of members of the Company on 26 May 2016.

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 24 May 2016 to 26 May 2016 (both days inclusive), for the purpose of determining shareholders' entitlements to the 2015 final dividend and final special dividend. In order to qualify for the 2015 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 23 May 2016.

FINANCIAL POSITION

Working capital efficiency ratios

China Segment

Average trade receivable turnover days in 2015 and 2014 were 61 days and 96 days. Decrease in number of average trade receivable turnover days was mainly due to a decrease in average balance of trade receivable and an increase in sales.

Average trade payable turnover days in 2015 and 2014 were 83 days and 76 days, respectively.

Average inventory turnover days in 2015 and 2014 were 132 days and 141 days respectively, and the average inventory turnover days in the two periods were substantially flat.

Japan Segment

Average trade receivable turnover days and average trade payable turnover days were 115 days and 97 days, respectively in 2015 as compared to 91 days and 104 days, respectively in 2014. Average inventory turnover days were 105 days in 2015 as compared to 104 days in 2014.

Liquidity and financial resources

As at 31 December 2015, cash and bank balances (including long-term bank deposits) of the Group amounted to RMB1,209 million, a decrease of RMB1,337 million as compared to a balance of RMB2,546 million as at 31 December 2014. This decrease was mainly due to:

1) disposal of financial assets at fair value through profit or loss of RMB793 million and acquisition of the same of RMB2,022 million;

2) payment of 2014 final dividend and final special dividend and 2015 interim dividend and interim special dividend for an aggregate amount of equivalent to approximately RMB776 million;

3) cash inflow from operating activities of approximately RMB318 million;

4) investment in available-for-sale financial assets of approximately RMB708 million; cash inflow from disposal of certain available-for-sale financial assets of approximately RMB892 million; and cash outflow of RMB609 million caused by decrease in other financial liabilities;

5) increase in bank borrowings of an amount of equivalent to RMB455 million;

6) interest income and gains apportioned from all other financial assets of approximately RMB301 million;

7) other cash inflow of approximately RMB19 million in total.

As at 31 December 2015, net assets attributable to our equity holders was RMB9,531 million (31 December 2014: RMB10,340 million). The Group's current assets exceeded current liabilities by RMB4,906 million (31 December 2014: RMB4,992 million). The Group also had a very strong liquidity position. The current ratio as of 31 December 2015 was 6.0 times (31 December 2014: 6.3 times).

Investments in Available-For-Sale Financial Assets

As at 31 December 2015, our balance of investments in available-for-sale financial assets was approximately RMB3,911 million, representing a decrease of RMB669 million as compared with the balance of RMB4,580 million as at 31 December 2014. Such decrease was mainly due to decrease in price of shares in Alibaba Group Holding Limited (NYSE: BABA) which the Group has invested in.

Pledge of assets

As at 31 December 2015, the Group had approximately RMB68 million (31 December 2014: RMB53 million) in banks as, among others, guarantee deposit for the issue of letters of credit.

As at 31 December 2015, the Group had 2 million shares in Alibaba Group Holding Limited (NYSE: BABA) as collateral for securing bank borrowings of USD70 million.

Capital commitments and contingencies

In May 2013, the Group entered into a limited partnership agreement with Yunfeng Fund USD II, pursuant to which the Group subscribed a capital contribution commitment of USD20 million. In May 2014, the Group entered into a capital contribution transfer agreement with another limited partner of Yunfeng Fund USD II, increasing the Group's capital contribution commitment to USD30 million. In 2015, the Group paid a capital contribution of USD17.9 million with remaining balance of USD12.1 million (equivalent to approximately RMB78.6 million) as capital commitments.

Foreign Exchange Risk

The functional currency of the Company is US Dollars owing to the fact that its business is transacted in US Dollars. During the Global Offering in October 2007, the Company received its proceeds in HK Dollars. The proceeds were either deposited in bank accounts denominated in HK Dollars or converted into US Dollars and deposited in bank accounts denominated in US Dollars. As a result, the exchange differences arising from appreciation or depreciation of the US Dollars against the Company's HK Dollars bank deposits, were recognised as exchange gains or losses in the Company's income statement. The exchange gains or losses were not significant because HK Dollars are pegged to US Dollars. The 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 2015.

OTHER INFORMATION

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

The Company is committed to ensuring high standards of corporate governance in the interests of shareholders and devotes considerable effort to identifying and formalising best practices. 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 2015, except for the following deviations from the code provisions:

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

(ii) Provision A.6.7 of the CG Code provides that independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Dr. Xiang Bing (independent non-executive director) could not attend the annual general meeting of the Company held on 20 May 2015 due to important business appointments. However, the executive directors and the other independent non-executive directors attended the annual general meeting to ensure effective communication with the shareholders of the Company.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report for the year ended 31 December 2015.

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 2015.

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 2015, the Audit Committee had held three meetings in 2015.

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 2015.

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

For the year ended 31 December 2015, 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 18 May 2016. 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 16 May 2016 to 18 May 2016 (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 13 May 2016.

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

22 March 2016

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.