

[For Immediate Release]



361 Degrees International Limited

361 度國際有限公司

(incorporated in the Cayman Islands with limited liability)

361 Degrees Announces 2014 Interim Results

(19 August 2014 – Hong Kong) – **361 Degrees International Limited** (“361 Degrees” or the “Company”, together with its subsidiaries, the “Group”; HKSE stock code: 1361), one of the leading sports brand enterprises in China, announces its results for the six months ended 30 June 2014.

Financial Highlights

	For the six months ended 30 Jun		Change
	2014	2013	
Turnover (RMB million)	2,090.1	1,998.2	+4.6%
Operating profit (RMB million)	361.1	306.1	+18.0%
Profit before taxation (RMB million)	368.8	280.5	+31.5%
Profit attributable to equity shareholders (RMB million)	263.4	205.3	+28.3%
Basic EPS (RMB cents)	12.7	9.9	+28.3%
Interim dividend per share	RMB5.0 cents (HK6.2 cents)	RMB4.0 cents (HK5.1 cents)	+25.0%
Profitability ratios (%)			
Gross margin	39.7	39.0	+0.7 p.p.
Operating margin	17.3	15.3	+2.0 p.p.
Net margin	12.6	10.3	+2.3 p.p.
Effective income tax rate	30.5	28.2	+2.3 p.p.
Costs as percentage of turnover (%)			
Research and Development	2.5	2.4	+0.1 p.p.
Admin staff costs	1.5	1.5	--
Advertising and Promotion	8.3	9.8	-1.5 p.p.
Rack subsidies	6.0	3.9	+2.1 p.p.
Cash position (RMB million)			
	As at 30 Jun 2014	As at 31 Dec 2013	Change (RMB million)
Net cash position	2,694.1	1,959.5	+734.6
Net cash generated from operating activities	768.9	323.2	+445.7

Whilst the Chinese economy decelerated to slower growth in the first half of 2014, the sportswear industry remained poised for a recovery as the twin effects of a stock overhang and heavy discounting subsided. Although consumer sentiment remained relatively subdued in the face of uncertain economic times, there are increasing signs that retailers are starting to return to profitability even if competition remained intense.

Against such a competitive environment, 361 Degrees held its own ground, registering a turnover of RMB2.1 billion for the six months ended 30 June 2014 (first half of 2013: RMB2.0 billion), an improvement of 4.6%. This is despite having reported lower trade fair orders but delayed deliveries carried forward into this financial year helped bolster turnover. Gross profit margin showed a marginal growth of 0.7 percentage point to 39.7% as a result of lower sourcing costs which more than offset the reduction in wholesale pricing.

With the Group maintaining tight cost discipline, both selling and distribution as well as administration expenses were controlled to a lower level as compared with the same period last year, enabling an operating profit of RMB361.1 million, which is an 18.0% improvement than that achieved in the first half of 2013.

Profit before taxation, at RMB368.8 million (first half of 2013: RMB280.5 million) jumped 31.5%, primarily due to an unrealized gain on a revaluation of the outstanding convertible bonds. Taxation remained at a relatively higher rate due to losses in the non-operating offshore subsidiaries.

The improved performance arising from the above-mentioned favorable factors enabled the Group to report a net profit attributable to equity shareholders of RMB263.4 million (first half of 2013: RMB205.3 million), equivalent to basic earnings per share of RMB12.7 cents, which is 28.3% higher than that of the same period last year.

On the operation side, a number of initiatives taken by the Group over the last two years have helped to put the retail operations on a much stronger footing. Stores which have not been profitable were encouraged to be closed whilst distributors, having been given better terms, were requested to pass on some of the benefits in their pricing to retailers. In addition, the Group has spent a total of RMB125.6 million (first half of 2013: RMB78.0 million) as rack subsidies directly to the retailers in the form of custom-made racking shelves and related fixtures.

For stores which are large enough to carry the product lines of 361° Kids and Innofashion to convert into composite or "3-in-1" stores, store traffic has visibly improved. As at 30 June 2014 there are now 1,007 such composite stores, many of which are in prime pedestrian streets. This augurs well for future retail profitability especially as product education and training of these retailers have further improved customer service.

Above all, the Group's investment in research and development has now produced a strong portfolio of products that are attractively-priced and yet highly competitive in performance. These have been well-accepted in the marketplace and there is further room for improvement in both pricing and volume.

Financially, the Group remains in an enviably sound financial position as the operations continue to generate very strong cash flows, with a net inflow of RMB 768.9 million (2013: RMB323.2 million). The net cash position of the Group as at 30 June 2014 further improved to RMB2.7 billion, an increase of 734.6 million, compared with the end of last year. Accounts receivable has been brought under better control, with the average trade and bills receivables turnover days now falling to 165 although much more work remains to be done.

On the back of the improved results and a positive outlook for the second half-year, the Board of Directors has declared an interim dividend of RMB5.0 cents (first half of 2013: RMB4.0 cents) to be paid to shareholders on 17 September 2014. The Group will endeavor to maintain its dividend policy of not less than 40% of each year's earnings to be paid as dividends.

Looking ahead into the second half of 2014, the Group will continue to invest in product innovation and differentiation as well as strengthening the brand equity through further promotional activities. With the network shaping up as composite stores to offer all product lines of the Group, the Group is confident that retail profitability will ultimately drive further growth. This will be evident in the full year results for 2014, which should represent a significant improvement from that of last year.

— End —

About 361 Degrees International Limited

361 Degrees International Limited is one of the leading sports brand enterprises in China, possessing brand marketing, research and development, design, manufacturing, distribution and retail capabilities. The Group's products include footwear, apparel, accessories and equipment for sport and leisure uses. The Group has established an extensive supply chain management system through proprietary and sub-contracted manufacturing operations; and an exclusive distribution and retail network in China through distribution via authorized distributors.

For further information, please contact:

361 Degrees International Limited

Mr. Y F Chen
Vice-President, Investor Relations
361 Degrees International Limited
Email: yuanfeng@361sportshk.com

iPR Ogilvy & Mather

Natalie Tam/ Charis Yau/ Janis Lai/ Candy Tam
Tel: (852) 2136 6182/ 2136 6183/ 2169 0646/ 3920 7626
Fax: (852) 3170 6606
Email: 361@iprogilvy.com