

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



361 Degrees International Limited

361 度國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1361)

2021 ANNUAL RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of 361 Degrees International Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2021. This announcement, containing the full text of the 2021 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

361°

**361 DEGREES
INTERNATIONAL
LIMITED**

Stock Code: 1361



19th Asian Games
Hangzhou 2022



**ANNUAL
REPORT**

2021

CONTENTS

02	Five-Year Financial Summary
04	Chairman's Statement
09	Management Discussion and Analysis
34	Report of the Directors
46	Corporate Governance Report
59	Directors and Senior Management
63	Independent Auditor's Report
68	Consolidated Statement of Profit or Loss
69	Consolidated Statement of Profit or Loss and Other Comprehensive Income
70	Consolidated Statement of Financial Position
72	Consolidated Statement of Changes in Equity
73	Consolidated Statement of Cash Flows
75	Notes to the Consolidated Financial Statements
147	Shareholder Information
148	Company Information

FIVE-YEAR FINANCIAL SUMMARY

		For the year ended 31 December			
	2021	2020	2019	2018	2017
Profitability data (RMB'000)					
Revenue	5,933,482	5,126,958	5,631,866	5,187,446	5,158,200
Gross profit	2,472,420	1,941,733	2,269,616	2,105,871	2,156,385
Operating profit	1,083,122	822,690	887,250	782,327	987,552
Profit attributable to equity shareholders	601,700	415,065	432,403	303,665	456,706
Earnings per share					
– basic (RMB cents)	29.1	20.1	20.9	14.7	22.1
– diluted (RMB cents)	29.1	20.1	20.9	14.7	22.1
Profitability ratios (%)					
Gross profit margin	41.7	37.9	40.3	40.6	41.8
Operating profit margin	18.3	16.0	15.8	15.1	19.1
Margin of profit attributable to equity shareholders	10.1	8.1	7.7	5.9	8.9
Effective income tax rate (Note 1)	29.0	29.4	35.0	46.5	39.6
Return on shareholders' equity (Note 2)	8.8	6.4	7.2	5.3	8.3
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotion expenses (Note 3)	10.2	9.6	9.0	10.7	9.8
Staff costs	11.1	9.8	9.1	8.8	9.0
Research and development	4.2	4.0	3.8	4.1	3.4

Notes:

- 1) Effective income tax rate is equal to the income tax divided by the profit before taxation.
- 2) Return on shareholders' equity is equal to the profit attributable to equity shareholders divided by the average opening and closing equity attributable to equity shareholders of the Company.
- 3) Advertising and promotion expenses included the cost of advertising expenses via e-commerce platforms in this year. In previous year, the cost of advertising expenses via e-commerce platform was grouped under online selling expenses and excluded in the calculation of advertising and promotion expenses as a percentage of revenue. Had the cost of advertising expenses via e-commerce platform grouped under online selling expenses was reclassified as advertising and promotion expenses in 2020, the advertising and promotion expenses as a percentage of revenue was revised to 10.6%.

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2021	2020	2019	2018	2017
Assets and liabilities data (RMB'000)					
Non-current assets	1,154,660	1,181,475	1,246,409	1,314,958	1,392,852
Current assets	10,083,326	10,440,087	10,659,854	10,650,036	9,748,472
Current liabilities	2,668,029	4,041,217	2,809,010	3,354,251	2,744,359
Non-current liabilities	14,316	14,354	2,438,239	2,716,354	2,565,480
Equity attributable to equity shareholders	7,116,765	6,608,913	6,322,505	5,767,650	5,706,454
Non-controlling interests	1,438,876	957,078	336,509	126,739	125,031
Asset and working capital data					
Current asset ratios	3.8	2.6	3.8	3.2	3.6
Gearing ratios (%) (Note 4)	1.8	16.7	21.2	23.6	23.1
Net asset value per share (RMB) (Note 5)	4.1	3.7	3.2	2.9	2.8
Inventory turnover days (days) (Note 6)	87	111	120	110	82
Trade and bills receivable turnover days (days) (Note 7)	149	159	149	160	155
Trade and bills payable turnover days (days) (Note 8)	122	151	179	195	177
Working capital turnover days (days)	114	119	90	75	60

Notes:

- 4) The calculation of gearing ratio is based on the interest-bearing debt divided by the total asset of the Group as at the end of the year.
- 5) The calculation of net asset value per share is based on the net assets divided by weighted average number of ordinary shares for the year.
- 6) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 365 days (or 366 days for 2020).
- 7) Trade and bills receivable turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by revenue and multiplied by 365 days (or 366 days for 2020).
- 8) Trade and bills payable turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 365 days (or 366 days for 2020).

CHAIRMAN'S STATEMENT

By accelerating strategic brand upgrade and building core brand competitiveness, the Group captures new opportunities arising from the prosperous industry development.



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the “Board”) of directors (the “Directors”) of 361 Degrees International Limited (the “Company”), I am pleased to present the financial results of the Company and its subsidiaries (which are collectively referred to as the “Group” or “361° Group”) for the year ended 31 December 2021 (the “year under review”).

In 2021, the COVID-19 outbreak (the “pandemic”) in the People’s Republic of China (“PRC”) was generally under control and the national economy continued to recover steadily. The successful implementation of the “internal circulation” policies, coupled with the orderly resumption of large-scale sports events, facilitated the release of sports consumption demand and further stimulated the sports consumption market. In the post-pandemic era, the accelerated digital transformation of the sports industry and the stealthy change of the structure of consumer groups and preferences will provide new impetus to the development of the industry. In the long run, sports industry will step into a golden period of development and play an increasingly important role in the process of high-quality development of the national economy.

During the year under review, the Group recorded a revenue of RMB5,933.5 million, representing a year-on-year increase of 15.7%. Profit attributable to the equity shareholders of the Company was RMB601.7 million, representing a year-on-year increase of 45.0%. In view of the continuous outbreak of pandemic around the world and the uncertainty of the macroeconomic environment and taking account of its development strategy, the Board has prudently decided not to distribute the 2021 final dividend for the time being in order to retain cash strength.

CONTINUOUSLY UPGRADING CONSUMER EXPERIENCE TO CREATE A BETTER BRAND IMAGE

In 2021, the sports industry in China made a stable recovery with clearer development goals and directions. By adhering to the “consumer-centric” business philosophy and strengthening our positioning as a specialised, youthful, and internationalised brand, we promoted the upgrading of consumer experience across all channels; explored and served consumer demands in all aspects, so as to enhance our brand image.

In terms of channel development, in response to the emerging trend towards the deep integration of online and offline retail consumption, we deployed more resources across all channels to meet consumers’ multi-scenario and diversified needs. We continued to upgrade our offline store image and optimise consumers’ online shopping experience. For example, we piloted a round-the-clock channel ecosystem which could be dubbed “Thousands of Stores with Thousands of Images (千店千面)” at WeChat Mall to increase the sales conversion, and launched our proprietary WeChat mini program “You Yan You Du (有顏有度)” to expand channels and increase the viewer-to-customer conversion. In addition, we analysed and met the diverse needs of our target consumer groups by precise consumer group targeting and established a comprehensive and attractive membership system to enhance customer stickiness, which as a result significantly increased the size and vitality of our online and offline memberships.

We continued to expand the international influence of our brand by sponsoring major sports events. Up to now, we have been the sponsor for four consecutive years of the Asian Games and awarded the “Outstanding Contribution Award of Asian Games (亞運會傑出貢獻獎)” by Olympic Council of Asia (亞洲奧林匹克理事會) as the first enterprise receiving such an superior award. It is also worth mentioning that with the approaching of the Asian Games in Hangzhou 2022 sponsored by 361°, we announced our new brand slogan of “Passion in China, One Extra Degree” (中國熱愛多一度) for the Asian Games by adhering to our brand spirit of “One Extra Degree of Passion”, firmly showing our determination to become an internationalised nation brand with long-lasting vitality.



POOLING RESOURCES TO ENHANCE CORE COMPETITIVENESS WITH DUAL DRIVING FORCES OF “PROFESSIONALISM + FASHION”

During the year under review, we carried out the dual-drive development strategy of “professional sporting goods” + “fashionable sporting goods” in accordance with our clear brand positioning, focusing on core product categories including basketball, running, comprehensive training and sporting lifestyle. While we made efforts in product functional improvement, incorporating more fashion elements and marketing capability integration, we also optimised and enriched our brand resources matrix constantly to support products marketing. We strived to serve our fellowmen with professional and fashionable sporting goods.

In terms of professional sporting product category, we have sponsored premium marathon events and elite marathon runners, became a sports equipment partner by signing contracts to sponsor China's national triathlon team, and gave support to various national and professional sports teams. Meanwhile, we successively signed contract with Aaron GORDON (an active NBA player), an international basketball superstar, Kyranbek MAKAN, a well-known Chinese professional basketball player, and Spencer DINWIDDIE (an active NBA player), as our brand spokespersons to continue strengthening our image as a brand of functional products for sports.

For fashionable sporting product category, we signed contract with GONG Jun (龚俊), a well-known Chinese young actor, to engage him as the brand global endorser, and with WANG An Yu (王安宇), a Chinese young actor, to engage him as the spokesperson of our fashionable sporting product category, to better align our brand with the young consumer groups and accentuated our attitude to keep up with trends. At the same time, we continued to innovate and expand our business by launching a number of co-branded products such as The Three-Body Problem, Saint Seiya, Minions, Captain Tsubasa, Gundam, Initial D, KAKAO FRIENDS, Lay's and Sanxingdui. We are very pleased that the above collaborations has been highly recognised within the industry, positioning us to have successively won honors such as the Global Brand Development Award (Greater China) for the Best Licensee in the Fashion Category, the Effie Awards Greater China in 2020 and the Golden Wheat Awards in 2020.

DIFFERENTIATING THE LAYOUT OF BRAND RESOURCES, UPGRADING THE KIDS BUSINESS IN MULTI-DIMENSIONS

With the rise of domestic consumption level, coupled with the policy to provide more incentives for childbearing, the kids' wear industry is ushering in a promising market prospect. We have fully seized the opportunity for 361° Kids to promote its brand with the statement of “Love it, Kids! (熱愛吧·少年!)”, so as to launch a new journey in the kids appeal business. 361° Kids vigorously expanded its product lines and developed finer market segments. Therefore, the product series has now fully supported the needs of customers of all ages, including toddlers under three years old, children between three and ten years old, and teenagers between ten and fourteen years old, with the product categories covering running, football, basketball, outdoor activities and campus life, thereby striving to better meet the needs of kid sports life.



We understand the truth of “Strong youths make a strong country”, thus we actively fulfill our social responsibilities while expanding our business. During the year under review, we launched the “Youth Sports Promotion Plan” jointly with the 18th Jinjiang Gymnasiade and became the title sponsor of the track and field events of the Gymnasiade, to attract more teenagers to participate in sports. Meanwhile, we successfully carried out joint cooperation with football clubs (youth training system) such as Shenhua, Evergrande, Guoan and Luneng, and empowered the development of kids appeal business by comprehensively integrating the resources such as football clubs and football schools in China, with an aim to enhance our market share in the domestic kids' wear market.

In terms of research and development (“R&D”), we carry out scientific research and innovation on the basis of in-depth analysis of the practical sports needs of children and teenagers. To this end, we launched innovative technologies such as dryness and FUNFOAM technology, easy decontamination technology, Alken Heating Technology (烯暖科技) and other innovative technologies. Meanwhile, we had a strategic cooperation with China State Shipbuilding Corporation to apply the “Zinc anti-microorganism” Technology for military uses in the kids' wear productions so as to provide teenagers with a healthy and comfortable experience of sports. In the creation of kids' wear products, 361° Kids also integrated childlike interest and fashion elements into the design of products, echoing the development plan of adult products. During the year under review, we launched co-branded products with IPs of Minions, The Three-Body Problem, Captain Tsubasa, China Aerospace • Space Imagination (中國航天 • 太空創想), Dunhuang and Little Monsters to highlight its fashionable and trendy contributes.

EFFORTS IN BOTH E-COMMERCE PLATFORM AND RESEARCH INNOVATION TO VIGOROUSLY BOOST BRAND MOMENTUM

With the rapid increase of online channels penetration, the role of e-commerce platforms in product sales, brand promotion and brand upgrading has become increasingly prominent. We have been keeping up with the new development trend of online channels to carry out our e-commerce business and strive to shape our e-commerce platform into a new growth engine that combines sales promotion and brand image enhancement. On one hand, we gained deeper understanding of our customers based on the big data to implement a precise marketing promotion and product design, and also enhance the competitiveness of our products accompanied with the optimal marketing pace. On the other hand, we integrate and optimise our resources to enhance the effectiveness of our marketing and promotion through various means, and continue to strengthen the operational capability of our e-commerce platform.

The Group has always regarded scientific research innovations as the core driving force to promote brand development. During the year under review, we have launched a new ENRG-X (E 韌) scientific material that combines both workout performance of QUIKFOAM and comfortable experience of NFO technology, and released the professional basketball shoes AG2X and 3TECH running shoes 2.0 with innovative technologies, aiming to bring new technology experience for our consumers. We were also honored to have our products recognised by many international awards, demonstrating a great breakthrough in professional functionality improvement. As of 31 December 2021, we have registered 271 patents, including 155, 110 and 6 patents in footwear, apparel and accessories, respectively.





CHAIRMAN'S STATEMENT

In addition, we expect to see continued healthy growth from our professional running shoes products. Since 2021, we have been upgrading our classic products for international markets and taken the lead in selling them on domestic e-commerce platforms, in which Spire-R and Spire-S that we launched in the first half of 2021 achieved notable sales, while both the international products, Meraki S and Yushan 2, launched in the second half of 2021 into domestic market and received favorable feedbacks from the market. During the year under review, our R&D team collaborated with LI Zicheng, the Asia and China marathon champion, in developing the “Flying Flame” professional marathon running carbon shoes, which took two years to complete the product R&D. After the launch, the product had been sought after on the e-commerce platforms and was well received by the industry. In 2022, we will continue to introduce more professional running shoes products to the market with careful planning, aiming for enhancing the brand influence and expanding our customer club membership.

OUTLOOK

On behalf of the Board, I would like to express our sincere appreciation to our shareholders for their recognition and support for 361° in the past year. I would also like to thank all of our staff members and business partners. Looking ahead, we expect that the sports industry will have an ample space for development and a strong momentum of growth. As a leading sportswear enterprise in China, 361° will continue to focus on consumers' needs, deepen its positioning as a specialised, youthful, and internationalised brand and promote the brand spirit of “One Extra Degree of Passion”. 361° will actively undertake its social responsibilities and continue to enhance both the product value and brand influence. The Group will continue to actively develop its business, its supply chain and business partnerships, and to create more benefits for the shareholders, staff members and society.

Ding Huihuang

Chairman

Hong Kong SAR of the PRC, 23 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Despite the uncertainties casted on the recovery progress of global economy by the discovering of new variant of coronavirus in 2021, China's economy still extended its upward trending from 2020 to 2021 and recorded steady growth by adopting effective pandemic prevention policies in time. According to the data released by the National Bureau of Statistics of China ("NBS"), China's gross domestic product ("GDP") reached RMB114.367 trillion in 2021 since the breakthrough of RMB100 trillion for the first time in 2020, representing a year-on-year increase of 8.1%, showing its strong resilience and momentum.

As consumption plays a critical part in "internal circulation", a composition of the newly raised economic growth strategy of "dual circulation" development pattern, it has becoming increasingly important in China's economic development. The improving disposable income of domestic residents accelerated the recovery pace of consumer market. According to the NBS, the total retail sales of social consumer goods nationwide in 2021 reached RMB44.0823 trillion, representing a year-on-year increase of 12.5%. Specifically, the country's online retail market expanded significantly to RMB13.0884 trillion, representing a year-on-year increase of 14.1%. In terms of income, China's per capita disposable income reached RMB35,128 in 2021, representing a year-on-year increase of 9.1%, which laid a foundation for sustainable growth in household consumption capacity.



2021 is an important year for the sports consumption industry in which the Group operates. A number of policies have been introduced during the year to further enhance the awareness of sports and fitness among domestic residents and promote the demand for sports consumption. In the first half of 2021, the state successively issued the policies and measures such as the Outline of the 14th Five-year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標綱要》), the Implementation Plan for Making up for the Shortcomings of National Fitness Facilities during the 14th Five-year Plan Period (《“十四五”時期全民健身設施補短板工程實施方案》) and the Key Points of Sports Standardisation in 2021 (《二零二一年體育標準化工作要點》). The government has also included "the building of a sporting power" in the medium- and long-term plans to vigorously promote the progress on achieving the goal of developing itself into a sporting power. In July 2021, the State Council of PRC released The National Fitness Plan (2021-2025) (《全民健身計劃(二零二一—二零二五年)》), which stated that the proportion of public who regularly participate in physical exercise will increase from 37.2% in the 13th Five-year Plan Period to 38.5%, and the total size of the sports industry will reach RMB5 trillion by 2025. In October 2021, the General Administration of Sport of China released the 14th Five-year Plan for Sports Development (《“十四五”體育發展規劃》), aiming to launch a comprehensive layout for the development of national sports undertakings during the 14th Five-year Plan Period, so as to better promote the sports industry to become a pillar industry of the national economy. In December 2021, five departments, including the General Administration of Sport of China, issued the Standards for Basic Public Services for National Fitness (2021 Edition) (《全民健身基本公共服務標準(二零二一年版)》) to facilitate the development of a higher-level public service system for national fitness and further meet the public's needs for basic sports and fitness. The above policies will bring broad development space for domestic sports product industry in China.

Meanwhile, the domestic demand for sports consumption was further sparked as several international tournaments were resumed in 2021. World-class sports events such as the European Cup and the Tokyo Olympics had been held successfully one after another, and EDG won the 2021 League of Legends World Championship, which have stimulated the sports industry climate. Driven by the rising trend of China-Chic, the sporting goods market is expected to see strong demand continually and embrace the golden age for its development. In 2022 and 2023, several world-class sports events such as the Winter Olympic Games, Asian Games and Asian Cup will be held in China successively, which will make a significant contribution to and accelerate the development of the sporting goods market in China.

It is witnessed that the integration of online and offline retail sales is an irresistible trend against the backdrop of the pandemic. As mentioned above, the domestic online retail sales maintained double digit growth in 2021, and the online retail sales of physical goods reached RMB10.8042 trillion, which contributed 24.5% of total retail sales of social consumer goods, representing a further increase from 23.7% in the first half of 2021. With the further development of 5G telecommunications, big data and e-commerce, the digital transformation of the sports industry is also accelerated to offer more development opportunities. Meanwhile, China has witnessed a stronger trend showing an “increasingly young” consumer group for sports. Generation Z, the generation that was born between 1995 to 2009, is gradually emerged as the main force of consumption. Given the stronger willingness to upgrade the consumption of Generation Z, it will promote the development of the industry towards diversification and technology and inject new impetus for high-quality development of the sports industry.

In addition, China’s new urbanisation strategy and the further relaxation of the fertility policy has inspired greater development potential for the sports industry. According to the data released by the NBS, the urbanisation rate of China’s resident population exceeded 64.7% at the end of 2021, but there is still much room for improvement compared to that of developed countries, which leaves huge potential for sports consumption. Following the full implementation of the two-child policy, China has introduced a three-child policy and relevant support measures, providing strong support for the boom of the kids’ wear market. According to the Euromonitor, the size of China’s kids’ wear market is expected to grow at a CAGR of above 13.04% from 2021 to 2025. Besides, China issued the “double reduction” policy in July 2021, which proposes to make reasonable use of students’ after-school time to carry out suitable physical exercise, prompting the demand for youth sports and contributing to create a new growth point for sports goods consumption.

It is noteworthy that by adhering to and strengthening its positioning as a “specialised, youthful and internationalised” brand of sporting goods to grasp the opportunities for the development of the sports industry, the Group has enhanced its brand value and expanded its brand influence. In order to align with the new technology and diversification trends of the sports industry, the Group vigorously consolidated resources, and expanded and optimised sales channels, striving to provide consumers with more value-added, tailored-for-personalities professional sporting products.



BUSINESS REVIEW

361° Brands and Positioning

The 361° Group is one of the leading sportswear brands in China. The Group has been consistently positioned as a provider of high-performance and value-for-money professional sports products targeted at the mass market since its establishment in 2003, in order to meet the needs of adults and children in sports and on casual occasions.

The 361° brand focuses on professional and high-performance sports footwear, apparel, and accessories of running, basketball, comprehensive training, sports life and other categories.

The 361° Kids brand, which is an independently operating business unit, principally provides sports apparel, footwear, and accessories to cater for the needs of toddlers to children at the age of up to fourteen years old.

In recent years, there has been a significant change in the way consumers use sporting goods, which previously served as functional products for sports only and gradually became daily apparel and accessories that the young generation wears for fashion. Coupled with the formation of the Chinese fad-fashion trend, this has not only established a new style for the young generation to express their personalities and living attitudes on the basis of Chinese culture and Chinese brands, but also brought huge opportunities to the Group's business. Positioned consistently as a "specialised, youthful, and internationalised" brand, the Group concentrates its resources on developing its core brand of 361°. It insists on gearing its brand development towards professional sporting goods and fashionable sporting goods with its focus on the functionality of its products, aiming to become an unparalleled choice for the new generation of consumers in sports and on the athleisure trend.

Efficient and Flexible Business Model

The Group principally engages in brand management, R&D, design, manufacturing and distribution of products. The Group strategically adopts a distribution business model whereby the first-tier exclusive distributors distribute the products under the 361° brand in their respective, exclusive geographical regions. Subject to approval by the Group's retail channel management department, distributors could choose to either open stores directly or further distribute the products under the 361° brand to second-tier authorised retailers. This business model is flexible, enabling the Group to rapidly capture market share at the lowest cost. As such, the Group is able to focus its resources on brand creativity and management, R&D and design of products and other areas, while fully leveraging the capabilities of the distributors and the authorised retailers to conduct retail sales.

The Group has a comprehensive distributor management system in place to ensure that the brand concept, product technology and features are accurately communicated at each end of sales. The Group renews the agreements with its exclusive distributors on a yearly basis. The key terms of the distributorship agreements generally include terms such as geographical exclusivity, product exclusivity, and payment terms. Leveraging its management and education of other distributors through multiple training programs each year, the Group ensures that distributors and authorised retailers could accurately convey the knowledge about the latest technology and products to consumers, so as to assist the consumers to choose the most suitable products. Furthermore, the Group insists on projecting a consistent store image across its nationwide distribution network, the standardisation of product display facilities and promotional materials at the stores, and the highlighting of the quarterly marketing themes.



The Group's systematic order management model also efficiently ensures smooth supply, transparent inventory and stable retail prices. The Group currently hosts four trade fairs per year for the 361° core brand to showcase new season's products. All distributors and authorised retailers are invited to attend the events. The orders of the distributors and authorised retailers will be consolidated by the respective first-tier distributors, who in turn will place such orders with the Group. The Group will review the orders and give suggestions to its distributors regarding the placement of the orders in order to enhance the accuracy of the orders and avoid excessive inventory and discounts at the retail end, so as to stabilise retailers' profitability and support sustainable development. These trade fairs are generally hosted six months ahead of their respective display and launch seasons to allow the orders to be manufactured and delivered to the distributors. During the year under review, the Group organised four trade fairs for 361° core brand products, namely the 2021 Winter Trade Fair, the 2022 Spring Trade Fair, the 2022 Summer Trade Fair and the 2022 Fall Trade Fair. The orders of the trade fairs achieved impressive results, with a steady year-on-year increase.

During the post-pandemic era, the Group actively worked with distributors and authorised retailers to cope with consumers' relatively subdued demand for discretionary products. Moreover, the Group improved sales incentives and operational efficiency through the policies of giving operational support and providing credit term extension. In the post-pandemic era, the Group continued to control operating costs and advertising expenditures through the optimisation of the supply chain system, logistics cost control and the integration of information platforms. The Group also fully leveraged its WeChat mini program "You Yan You Du (有顏有度)", Pinduoduo, Tik Tok, Xiaohongshu and other novel platforms to bring consumers better and flexible consumption experience in a model that breaks geographical boundaries, and created incremental space for the retailers in the post-pandemic era.

361°Core Brand's Retail Network in the PRC

As at 31 December 2021, the 361° core brand's retail network comprised 5,270 stores, representing a net increase of 105 stores compared to the end of 31 December 2020. Geographically, approximately 77.19% of the stores were in third- and lower-tier cities in China, while 4.63% and 18.18% of which were located respectively in first- and second-tier cities in the country. The Group encourages its distributors and their authorised retailers to open larger stores in shopping malls and department stores in the future while rationalising the retail network by closing down smaller stores so as to optimise the distribution channel mix.

Upholding the concept of "One Extra Degree of Passion" (多一度熱愛), the Group continued to adopt a consumer-centric approach, capitalised on new trends in consumption habits and conducted social marketing at its stores. In the post-pandemic era, the Group integrated and coordinated its online and offline operations and conducted omni-channel marketing to constantly upgrade the multidimensional shopping experience. As of 31 December 2021, the number of the latest ninth-generation image stores increased to 1,486, accounting for 28.2% of the total number of the Group's stores. The ninth-generation image stores adopted light and simple racks and various props. This reduced the decoration cost, enriched the shopping experience, and effectively improved the stores' efficiency while enhancing the image projected by them.

Meanwhile, the Group had its physical stores, online e-commerce operations and new retail channels boost each other's business and thus jointly forge ahead with the upgrade of the consumption experience provided by omni-channel retailing. Through a comprehensive and attractive membership system for the customers, the Group provided target consumer groups with a wealth of membership rights, and its online and offline memberships have increased significantly. The refined operation and management of its relationships with such members resulted in higher effectiveness of managing the larger groups of the members.

The Group launched its proprietary WeChat mini program "You Yan You Du (有顏有度)" on 1 May 2021, which provides a large amount of information about trendy outfits and can directly divert the viewers to the WeChat Mall, thus increasing the conversion of such viewers into customers. The Group is trying to enable a round-the-clock online consumption experience which can be dubbed "Thousands of Stores with Thousands of Images (千店千面)" at WeChat Mall and can allow the Group to tap the traffic of viewers in the private domain of online community and thus boost sales growth.



Authorised retail stores of 361° core brand by regions are set out as follows:

	As at 31 December 2021		As at 31 December 2020	
	Number of 361° authorised retail stores	% of total number of 361° authorised retail stores	Number of 361° authorised retail stores	% of total number of 361° authorised retail stores
Eastern region ⁽¹⁾	875	16.6	902	17.5
Southern region ⁽²⁾	570	10.8	617	11.9
Western region ⁽³⁾	1,256	23.8	1,182	22.9
Northern region ⁽⁴⁾	2,569	48.7	2,464	47.7
Total	5,270	100	5,165	100

Notes:

- (1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.
- (2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.
- (3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.
- (4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

Brand Promotion and Marketing

The Group generally budgets 9% to 11% of its annual revenue for brand promotion and marketing. The Group continues to invest in its brand building, with focus on official sponsorships for international large-scale sports events and Chinese national teams, it quickly elevates the international influence of its brand. Such strategy has received a favorable response and achieved the expected results. 361° has contributed four consecutive sponsorships to the Asian Games. Among others, the Asian Games Hangzhou 2022 sponsored by it will be opening soon. The Asian Games has gradually become a symbol of sports closely linked to 361° due to our 12 years of continuous support, which in turn enhances our brand value. As Mr. DING Wuhaio, the President said, “We hope that consumers can better understand 361° through professional sports in virtue of the Asian Games, and we also hope that when people mention or watch the Asian Games in the future, they will think of 361°, which reveals a deep influence arising from our years of cooperation with the Asian Games, as well as a special link between 361° and the Asian Games.” Our new brand slogan for the Asian Games is “Passion in China, One Extra Degree (中國熱愛多一度)”, which conveys our determination to contribute to the high-quality development of Chinese sports industry. In the future, 361° will continue to contribute to the Asian Games and the development of Chinese and international sports events, so that the world can see the power of China. On 26 December 2021, the Group Brand Day, the Olympic Council of Asia (OCA) specifically granted 361° Group with the “Outstanding Contribution Award for Asian Games (亞運會傑出貢獻獎)”, which is the first time the OCA has presented this award to an enterprise.

In addition to the sponsorship of large-scale sports events, the Group also closely followed the consumption trends when it conducted marketing campaigns, gearing brand communication more towards consumer preferences. It deployed resources for integrating fashion trends with professionalism and actively created co-branded IP products that appealed to young consumers. Our co-branding operation mode has been maturing. In 2021, 361° consecutively conducted various IP collaborations with Three-Body Problem, Saint Seiya, Minions, Captain Tsubasa, Gundam, Initial D, KAKAO FRIENDS, Lay's, and Sanxingdui (三星堆), and achieved a strong sales performance. The revenue contribution of the co-branding series accounted for approximately 5% of the overall revenue in 2021. 361° has been trying to innovate and expand the ways of collaboration, with the brand, IP, and designers working together to inject more creativity and possibilities into product design. The collaboration between 361° and the owners of IP has been widely recognised within the industry. Such instances of collaboration in co-branding has won the Group some honors such as the Global Brand Development Award (Greater China) for the Best Licensee in the Fashion Category, the Effie Awards Greater China in 2020 and the Golden Wheat Awards in 2020. Its cooperation with QQ Speed in co-branding also won the Group the Silver Award in the 12th (2020-2021) Tiger Roar Award (IP Marketing Category) in June 2021.

With the effective control of the marketing expense, the Group quickly enhanced its product awareness to new heights by leveraging the influence of endorsers and achieved strong sales performances. 361° actively appointed celebrity endorsers to deeply develop the resource for endorsement. On 16 June 2021, the Group announced GONG Jun (龔俊), a Chinese young actor, as the global endorser of the 361° brand. As one of the most popular acting stars in the domestic entertainment industry, GONG Jun is sporty and fashionable for his handsome and sunny appearance and good exercise habits. Moreover, GONG Jun is frank and passionate about his acting career, which makes him perfectly fit in with the brand positioning and the brand spirit of 361°, namely “One Extra Degree of Passion”. In addition, on 26 December 2021, the Group also signed a contract with WANG Anyu (王安宇), a Chinese young actor, which will further help 361° open up the youth market to better reach young users, so as to demonstrate the fashion of the brand. The Group has noted that, since signing contracts with GONG Jun and WANG Anyu, the Group has gained greater popularity in its official account on the social media most used by Generation Y and Z, and thus gained more attention in its products.

361° continues to develop and enrich its portfolio of basketball products with professionalism and enhance a sense of fashion. The Group signed a contract with Aaron GORDON, an international basketball superstar, and Kyranbek MAKAN, a well-known Chinese professional basketball player; besides, it announced to sign a contract with an international basketball superstar, Spencer DINWIDDIE on 10 January 2022. The Group actively promotes its own basketball events, such as “A Fireball Plan” (燃球局計劃) and “Touch Down and Burn” (觸地

即燃), with the aim of grooming the grassroots to be ball game players and teams, thereby exerting its influence in the sports community and building up its reputation as a brand of basketball products among sports people. Since the release of the 361° Aaron Gordon I (AGI), a signature basketball shoe, the launch of every new pair of AG Series basketball shoes into the market has received a great deal of attention from the basketball fans and enthusiastic response.

In addition, the Group sponsors premium marathon events and sponsors the winner of China and Asia Marathon Majors, LI Zicheng, the women’s marathon athlete, HE Yinli, and elite marathon runners including GUAN Siyang, MA Liangwu and ZHAO Na. The Group promoted and organised the “Track Three” (三號賽道), which was its own-branded event, in major cities in China. The move increased the member of running groups and continued to enhance the Group’s brand reputation among the runners. Meanwhile, the Group also sponsored the resources that included China’s national sports teams such as China National Cycling Team, China National Women’s Water Polo Team and China National Triathlon Team, as well as professional sports players such as XU Can, the WBA Featherweight World Boxing Champion and TEAM M23, which is China’s professional boxer training and brokerage team, so as to strengthen the Group’s image as a brand of functional products for sports.

The Group believes that it will be able to better promote its products to various sub-segments by sponsoring athletes and teams with positive images and superb capabilities on an on-going basis, which will lay the foundation for higher exposure and market recognition of its products.



The following table sets out all of the Group's sporting event sponsorships during the year under review:

Sponsorship period	Sporting event	Capacity
2020-2022	The 19th Asian Games in Hangzhou 2022	Official Partner
2020-2021	Xuzhou International Marathon, China	Top Partner
2021	Zaozhuang Marathon, China	Official Sponsor
2021	The 18th ISF Gymnasiade (School Summer Games)	Senior Partner
2021	THE ROC Triathlon	Official Footwear Sponsor

The following table sets out all of the Group's sporting team sponsorships during the year under review:

Name of sporting team
China National Cycling Team
China National Women's Water Polo Team
China National Triathlon Team
TEAM M23, China Professional Boxer Training and Brokerage Team

The following table sets out the Group's spokespersons during the year under review:

Athletes

Name of spokespersons	Sports	Key achievements in recent years
GUAN Siyang 關思楊	Running	2nd in Men in the 2021 Wuxi Marathon 2nd in Men in the 2020 Changzhou Marathon 2nd in Men in the 2020 Chengdu Marathon 3rd in Men in the 2020 Guangzhou Marathon
HE Yinli 何引麗	Running	2nd in Women in the 2020 Changzhou Marathon 2nd in Women in the 2020 Duolun Marathon 2nd in Women of China in the 2020 Xiamen International Marathon 1st in Women of China in the 2019 Dongying International Marathon 1st in Women of China in the 2019 Chongqing Marathon 1st in Women of China in the 2019 Xiamen Marathon
LI Zicheng 李子成	Running	1st in Men in the 2021 Wuxi Marathon 1st in Men in the 2021 Zaozhuang Marathon 1st in Men in the 2021 Dongying Marathon 1st in Men in the 2020 Wuxi Marathon 1st in Men in the 2020 Chengdu Marathon 1st in Men of China in the 2019 Wuxi International Marathon 1st in Men of China in the 2019 Xiamen International Marathon 1st in Group Category of the 2019 Zhejiang Marathon Relay Awarded as the Top Athlete in Men's Competition Group at the award ceremony of the 2019 China Marathon Majors

Name of spokespersons	Sports	Key achievements in recent years
MA Liangwu 馬亮武	Running	1st in Age Group of the 2019 Xiamen Marathon 1st in Age Group of the 2019 Chengdu Panda Marathon 1st in Age Group of the 2019 Wuhan International Marathon
ZHAO Na 趙娜	Running	2nd in Women in the 2021 Rizhao Half Marathon 1st in Women in the 2021 Dongying Half Marathon 1st in Women in the 2020 Dongqian Lake Half Marathon 1st in Women in the 2020 Zhejiang Elite Marathon 1st in Women in the 2020 Taizhou Half Marathon 1st in Women in the 2020 Meishan Bay Half Marathon 1st in Women in the 2019 Rizhao Full Marathon
Aaron GORDON	Basketball	NBA top dunker Played for the Denver Nuggets
Kyranbek MAKAN	Basketball	Chinese professional basketball player
Spencer DINWIDDIE	Basketball	NBA guard Played for the Washington Wizards
Ashton EATON	Decathlon	Champion in the 2016 Rio Olympics (retired)
Brianne Tyson EATON	Track and field	Canadian track and field athlete (retired) Bronze medalist of Rio 2016 Summer Olympics in Heptathlon Champion in the 2016 World Indoor Champion in Pentathlon
Donald HILLEBREGT	Triathlon	National champion in the 2019 NED Half Triathlon 3rd in the 2019 Rabat ATU Triathlon African Cup
Katie ZAFERES	Triathlon	Bronze medalist of the 2021 Tokyo Olympics in Women's Individual Triathlon Silver medalist of the 2021 Tokyo Olympics in Mixed Relay Triathlon 2nd in the 2021 Collins Cup Triathlon 3rd in the 2020 World Triathlon Series 2nd in the 2020 German Hamburg ITU Mixed Relay 1st in the 2019 ITU World Triathlon Series Champion in the 2019 Super League Triathlon
Maximilian ROHDE	Triathlon	8th in the 2019 Lake Chilwa Challenge Race 2nd in the 2018 Northman Half for 70.3 miles 8th in the 2018 India Half for 70.3 miles
Niklas LUDWIG	Triathlon	11th in the Age Group of the 2021 St. Bolton Challenge Race
Quinty SCHOENS	Triathlon	6th in the U23 Age Group of the 2021 Kitzbühel ETU Triathlon Championships 4th in the 2019 NED Half Triathlon 4th in the 2019 Funchal ETU Triathlon Mixed Relay Championships

Name of spokespersons	Sports	Key achievements in recent years
Rachel KLAMER	Triathlon	8th in the 2021 Lisbon World Triathlon Championships 7th in the 2020 Arzachena ITU Triathlon 8th in the 2020 Hamburg ITU Triathlon 8th in the 2019 ITU 6th in the 2019 World Triathlon Series 4th in the 2019 Lausanne ITU Triathlon World Championships
Thomas CREMERS	Triathlon	4th in the U23 Age Group of the 2020 Punta Umbria ETU Championships 6th in the 2019 Netherlands Biathlon Championships
Tom OOSTERDIJK	Triathlon	Champion in the Age Group of the 2020 New Zealand Triathlon Championships
LI Bingjie 李冰潔	Swimming	Won 1 gold medal and 3 silver medals in the 2021 National Swimming Championships Won 3 silver medals in the 2019 National Swimming Championships Won 2 silver medals in the 2019 FINA Swimming Championships Won 1 gold medal and 1 bronze medal in the 2019 American Swimming Series Competition
XU Can 徐燦	Boxing	Won the Best Male Boxer of the “Grand Annual Fight of China’s Belt and Road” WBA Featherweight World Boxing Champion

Celebrities

GONG Jun 龔俊	N/A	A famous Chinese actor
WANG Anyu 王安宇	N/A	A famous Chinese actor



361° Kids

During the year under review, 361° Kids contributed approximately 18.7% to the Group's total revenue, representing a year-on-year increase of 18.7%.

361° Kids has been in operation as an independent business unit since its launch in 2010. 361° Kids follows the brand spirit of “One Extra Degree of Passion” of the 361° core brand and conducts marketing with its brand statement “Love it, Kids!” (熱愛吧·少年!), focusing on the market for children's and teenagers' sporting goods. 361° Kids is committed to fulfilling the needs of children and teenagers in all kinds of sports. Horizontally, its user group comprehensively covers toddlers under three years old, children between three and ten years old, and teenagers between ten and fourteen years old; vertically, it broadens the product segments to fully support the diverse sports needs of children and teenagers.

In May 2021, 361° Kids held a brand conference in Shanghai International Children Wear Expo where the brand and the 18th Jinjiang Gymnasiade jointly launched the “Youth Sports Promotion Plan”, and announced that it would be the title sponsor of the track and field events of the Gymnasiade. In the future, both parties will entice more teenagers to participate in sports through youth sports incentive plan, training plan and insurance plan.

361° Kids will continue to adhere to the product positioning of “new technology-driven China-Chic” (科技新國潮), constantly enrich the product portfolio and step up product innovation. 361° Kids fully taps into the needs of children and teenagers for sports apparel in various types of sporting and living scenarios such as running, football, basketball, outdoor activities and campus life by developing a comprehensive range of finely classified product categories.

As at 31 December 2021, there were 1,896 points-of-sale in total offering 361° Kids products, including the 393 points of sale which were located at 361° brand's authorised retail stores, selling both 361° core brand products and 361° Kids products. Geographically, approximately 71.62% of the points-of-sale were located in third-tier and lower-tier cities in China, while 6.49% and 21.89% were respectively located in first- and second-tier cities in China. As of 31 December 2021, there were 860 new fourth-generation retail outlets under the brand of 361° Kids, representing 45.4% of the brand's total. Their overall design matches the current trends and increases the brand recognition. The combination of more distinctive thematic displays and reasonable routes for customers inside the stores enables consumers to have a more comfortable and enjoyable shopping experience.



The following table sets out the authorised points-of-sale of 361° Kids (including those operated within the 361° core brand authorised retail stores) by regions:

	As at 31 December 2021		As at 31 December 2020	
	Number of 361° Kids authorised points-of-sale	% of total number of 361° Kids authorised points-of-sale	Number of 361° Kids authorised points-of-sale	% of total number of 361° Kids authorised points-of-sale
Eastern region ⁽¹⁾	287	15.1	295	17.3
Southern region ⁽²⁾	273	14.4	275	16.1
Western region ⁽³⁾	424	22.4	357	21.0
Northern region ⁽⁴⁾	912	48.1	776	45.6
Total	1,896	100	1,703	100

Notes:

- (1) Eastern region includes Jiangsu, Zhejiang, Hubei, Anhui, Hunan, Shanghai and Jiangxi.
- (2) Southern region includes Guangdong, Fujian, Guangxi and Hainan.
- (3) Western region includes Sichuan, Yunnan, Guizhou, Shaanxi, Xinjiang, Gansu, Chongqing, Qinghai, Ningxia and Tibet.
- (4) Northern region includes Shandong, Beijing, Liaoning, Heilongjiang, Hebei, Henan, Shanxi, Jilin, Tianjin and Inner Mongolia.

During the year under review, 361° Kids held four trade fairs, namely the 2021 Winter Trade Fair, the 2022 Spring Trade Fair, the 2022 Summer Trade Fair and the 2022 Fall Trade Fair, and the orders achieved solid growth as compared to the same period of last year.

361° Kids led the cooperation with youth football clubs, represented by its established partnerships with football clubs such as Shenhua, Evergrande, Guoan, Luneng (all are youth football training systems), which provided it with the capacity of comprehensively integrating the superior resources such as the most prestigious football clubs and football schools in China.

361° Kids focuses on the practical needs of kids and teenagers during exercise. Based on the theory of ergonomics and with methods of experiment in human movement science guiding its tests, 361° Kids has built a well-established technology system that can meet the differentiated functional needs of the youth throughout the year, and thereby successively launched innovative technologies such as dryness and FUNFOAM technology, easy decontamination technology and graphene heating technology to meet the needs of youth sports clothing in different scenarios. Meanwhile, 361° Kids cooperated strategically with China State Shipbuilding Corporation in applying the “Zinc anti-microorganism” technology, which is developed by China State Shipbuilding Corporation for Chinese armed force, to kids’ wear products, and then introduced such anti-microorganism products for kids to consumers. As a result, the brand realised the upgrading of its technological innovation to enable the Chinese teenagers to enjoy the healthiest and most comfortable experience of sports.

The design of the products of 361° Kids integrates childlike interest and fashion, highlighting fashion trend on the basis of the functionality of the sportswear. In 2021, 361° Kids successively launched co-branded products with certain other famous IPs such as Minions, The Three-Body Problem, Captain Tsubasa, China Aerospace • Space Imagination, Dunhuang and Little Monsters. With the advent of space fever, 361° Kids cooperated with the owner of the “China Aerospace” IP, which represents the power of China’s science and technology, in launching a series of products. The products featuring a sense of future and a sense of science and technology earned acclaims from the market.

361° International

Since 2015, the Group has actively expanded its footholds in international markets with growth potential, so as to expand the geographical market coverage of the international business of 361° and enhance the brand’s international reputation. In the post-pandemic era, the Group will largely focus on the steady development of overseas market. In the future, the Group will actively strengthen its market presence in the United States, Europe, as well as countries and regions along the Belt and Road Initiative, to further increase its influence in overseas markets.

361° is still a relatively young brand in the international market but its product performance is showing promising results and it is competitive against a series of major international brands. The following table sets out key awards won by the 361° International products during the year under review:

Name	Award
361-FIERCE	Selected by Test 4 Outside, a professional review website in France, as the “Best Deal” Selected by 220 Triathlon UK as the “Ultra-Worthy Training Shoes”
361-STRATA 4	Selected by the United States’ “Runner’s World” magazine as one of the 25 Top Picks for Running Shoes in 2021
361-TAROKO 2	Shortlisted by Trail Running magazine UK as the High-Performance Trail Running shoes of the Year

Affected by the pandemic, as of 31 December 2021, the number of overseas points-of-sale of the Group was 874. In the future, the Group will appropriately adjust the strategy and pace of its overseas business development according to the progress in the control of the pandemic. During the year under review, the 361° International business recorded a revenue of RMB89.8 million and contributed approximately 1.5% to the Group’s total revenue, representing a year-on-year increase of 25.7%.

Modern E-Commerce

In 2021, sales of the Group from e-commerce platforms amounted to RMB1,227.4 million, representing a year-on-year increase of 55.1%. E-commerce is positioned with diverse functions. Specifically, it is an important channel for product sales and a critical way for brand promotion, as well as an important front for online upgrading of brands. E-commerce of the Group is an efficient operation for boosting sales and enhancing brand image.

The Group conducts its e-commerce business mainly through renowned e-commerce platforms in China, including Tmall, Taobao, JD.com, Vip.com, and other new platforms such as Pinduoduo and Tik Tok. As e-commerce is a round-the-clock sales channel, the Group can continuously promote products to consumers and quickly expand its presences across the country. Currently, the Group is authorised to sell online-exclusive products on the online platforms, which are differentiated from the sales and marketing of the products sold in physical stores. Meanwhile, e-commerce platforms can also help the Group’s distributors and their authorised retailers to clear a portion of inventory products. As more high-premium and popular co-branded products are launched on the e-commerce platforms, the development of e-commerce is more sustainable and has more potential.

E-commerce of 361° is concerned on enhancement of product power. With centering on online customers, the Group made use of big data to conduct product planning with precision and maintained sales schedules. Focusing on “Attractive Appearance” and “Personality” in product designs, 361° launched IP products, “Traditional Chinese Style” products and high-functional products, such as the debut of basketball shoes series, the launch of “Flying Flame” running shoes and the launch of Gong Jun Track Series. E-commerce is concentrated on the improvement of operational capabilities. 361° enhanced marketing through multi-dimensional aspects, such as focusing on various excellent platforms inside and outside to increase the penetration rate of the target groups, enhancing capacity

on original content creation to expand brand influence and activity of followers, and creating vertical community marketing to cultivate potential customers.

During the year under review, the Group continued to improve the efficiency of e-commerce platforms so as to foster them as a platform for the debut of new products and co-branded products. Meanwhile, 361° capitalised on the upsurge in marketing and sales of goods by means of live streaming. It successively carried out numerous live streaming shows with specific themes and rich content on well-known domestic live streaming platforms such as Tmall Live-streaming Room, Kuaishou, Tik Tok, Bilibili and Alipay Sports Living-streaming Room. In 2021, a daily normalised live streaming mode has been formed on mainstream online shopping platforms such as Tmall, improving the efficiency of live streaming re-direction. By means of live streaming, the Group brought 361° brand’s fashionable and professional sports products to the core consumer groups quickly. This mode of recreational marketing drove the growth in sales and played a great role in brand promotion at the same time.

In the future, the Group will accelerate digital transformation of its e-commerce platform and drive business growth with big data; create marketing events for best-selling product categories such as running shoes and basketball shoes jointly with Tmall; significantly upgrade the e-commerce teams for interface design and operation by recruiting high-calibre talent; and increase investment in the development, design and operation of online-exclusive products and the upgrade of the supply chain which is capable of timely responses.



Production

During the year under review, there has been no change in the Group's production policy on striking a balance between in-house production and outsourcing to original equipment manufacturers ("OEMs") in terms of costs, production scheduling and intellectual property rights. For footwear products, the Group manufactures up to approximately 60% of its footwear products at its two factories at Jiangtou and Wuli in Jinjiang, Fujian Province, the PRC and outsources the remainder to a number of quality factories. The Jiangtou factory houses 14 production lines and has an annual production capacity of 12 million pairs of footwear products. The Wuli Industrial Complex in the Wuli Economic Zone houses nine production lines with an annual production capacity of 9 million pairs of footwear products. For apparel products, the Group operates production facilities in Jinjiang City that have the capacity to produce approximately 35% of the Group's products to meet market demand whilst the production of the remainder is outsourced to other factories.

Research and Development

During the year under review, the Group's expenditure on R&D accounted for 4.2% of the Group's total revenue. With R&D centers in the production base of the headquarter and more than 700 professional R&D personnel, the Group aims to develop brand new products tailored for consumers' tastes and demands based on its positioning as a professional sports brand with fashion elements. Moreover, to align with its unique positioning as mentioned above, the Group has set up a dedicated design team for each production line. The products were designed by experienced, trend-following personnel so that consumers can shine in the sport arena with most in-vogue dress which integrates sports professionalism with fashion when wearing our products.

Specifically, the Group's research centre in Wuli Industrial Park, Jinjiang city, Fujian Province, has advanced capabilities and equipment to carry out testing and has been awarded various titles such as a national advanced technology enterprise, national green factory, exemplary unit of the national sports industry, national industrial design centre and provincial technology centre. It can support the research and innovation experiments of intelligent sports equipment, structural sports equipment, functional sports equipment and functional material R&D.

The Group continued to focus on product R&D and innovation. On 9 April 2021, the 361° R&D team worked with LI Zicheng, a grand champion in Asian and Chinese marathons on spending two years developing the "Flying Flame" professional marathon carbon-plated running shoes, which became the IAAF certified carbon-plated running shoes. After the launch, the product has generated great customer demand on the e-commerce platforms and is proven to be well-received by many professional runners who gave good reviews about it. In 2022, 361° will continue to introduce more professional running shoes successively to the market with careful planning. The continuous launch of self-developed new technology products is always the core competitiveness of 361° brand.

During the year under review, the Group ceremoniously launched new ENRG-X (E 韧) high-tech materials, which combined the strengths of two core midsole materials of 361°: the sports performance of QUIKFOAM and the comfortable experience of NFO technology. Meanwhile, at the Brand Day of 2021, the Group also launched the newly upgraded 2.0 version of 3TECH running shoes, with improvement in the sense of technology and fashion. 3TECH 2.0 running shoes follow the design of 3TECH technology system and apply innovative materials ENRG-X and QUIKDRIVE, which have higher integrated performance, in order to deliver an immersive sports experience featuring the elasticity, propulsion and stability. It is also the first sports footwear applying the brand new ENRG-X technology. The successful launch and upgrade of 3TECH technology demonstrated the consistent R&D efforts made by 361° to improve the strengths of its products, so as to meet the demands of different markets and consumers.

As of 31 December 2021, the Group obtained 271 patents with a total of 702 technicians engaging in product R&D, including 402 footwear research staff, 232 apparel research staff and 68 kids wear and accessories research staff. The Group's expenditure on R&D is expected to increase due to its intensifying efforts to carry out the product upgrading program for combining functionality and design, with the aim of creating more distinctive products.



FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a year-on-year increase of 15.7% in revenue to RMB5,933.5 million (2020: RMB5,127.0 million). In particular, the 361° Kids business and business grouped under others (namely, sales of shoe soles) contributed 18.7% and 1.3% (2020: 18.2% and 1.1%) of the total revenue respectively. The 361° core brand products, 361° international and e-commerce businesses contributed 80.0% (2020: 80.7%) of the total revenue.

In terms of product segment, sales of the Group's two core product lines, namely footwear and apparel, increased by 21.7% year-on-year and 7.3% year-on-year respectively. During the year under review, over 95% of the 2021's spring, summer, fall and winter products were delivered, and their respective revenue were recognized, and the remaining 5% was mainly 2021's winter products, which were delivered at the beginning of 2022.

For the year under review, footwear sales edged up from 40.7% to 42.7% year-on-year of the total revenue, whereas the apparel sales slightly decreased from 39.0% to 36.2% year-on-year. Footwear and apparel products remained the major sources of the Group's sales revenue during the year under review.

The average wholesale price ("AWP") of footwear, and apparel increased by 4.4% and 2.3% year on year, respectively. As the epidemic has been successfully controlled by China during the year under review, the economy has seen substantial growth. The Group adjusted the AWP of footwear, apparel and accessories products to pre-epidemic levels, and adjusted the upgrade of product mix by launching a variety of new products with a higher AWP and drove the revenue growth from the e-commerce business, all these initiatives have added up to the increase in AWP as compared to that of last year. In addition, the sales volume of footwear and apparel products increased by 16.6% and 4.8% year-on-year, respectively. This was mainly due to the recovery in the market and the success of the Group's marketing strategy by continuous brand image enhancement and promotion as well as introducing consumer-orientated high-quality new products. The distributors have taken a more aggressive approach to place orders with timely delivery to satisfy the market's strong demand for domestically manufactured products during the year under review.

Our accessories product, on the other hand, are complimentary to the footwear and apparel product lines which further diversified the product portfolio. During the year under review, by introducing more higher value products, our accessories product lines have achieved product mix upgrade. The sales volume of the accessories edged down by 0.8% year-on-year, but the AWP of the accessories increased by 31.2% year-on-year which led to a year-on-year increase of 30.3% in the revenue from the sales of accessories.

In terms of the overseas business, the revenue increased by 25.7% year on year to RMB89.8 million (2020: RMB71.4 million) and accounted for approximately 1.5% (2020: 1.4%) of the total revenue of the Group. Despite the demand in the overseas market is still weak because of the economic downturn caused by the epidemic in 2021, the Group's international team has successfully ventured new markets in various countries, which attributed to the increase in overseas sales.

The revenue from 361° Kids for the year continued to grow, recording a year-on-year increase of 18.7% to RMB1,106.8 million (2020: RMB932.3 million), and accounted for approximately 18.7% (2020: 18.2%) of the Group's revenue during the year under review. The growth was attributable to a year-on-year increase of 18.4% in the sale volume of apparel and footwear products and a year-on-year increase of 0.2% in their AWP as a result of the market recovery. Unlike 361° core band, Kids business focuses more on apparel products than footwear products. With the implementation of the Three-child Policy and the incentive schemes to improve birth rate, the Group believes that the Kids business will continue to be a key revenue stream for the Group and a growth driver in the upcoming years.

The revenue from the sales of the Group's web-exclusive products for the e-commerce business increased by 55.1% year-on-year to RMB1,227.4 million (2020: RMB791.5 million) and accounted for approximately 20.7% (2020: 15.4%) of the total revenue during the year under review. In view of the shifting consumption trend from offline to online, more resources will be allocated to enhance our existing e-commerce system and more marketing effort will be devoted to promoting the e-commerce business. The Group is confident that the revenue generated by the e-commerce business will continue to grow and become a significant contributor to the Group's revenue.

The revenue from the Group's businesses which are grouped under "Others" represented the revenue from the sales of shoe soles by the Group's 51%-owned subsidiary to independent third parties. During the year under review, approximately 64% of that subsidiary's products were supplied to the Group and the remaining portion was sold to independent third parties. The revenue grouped under "Others" for the year ended 31 December 2021 was RMB78.7 million (2020: RMB58.7 million) and accounted for approximately 1.3% (2020: 1.1%) of the Group's total revenue.

The following table sets out a breakdown of the Group's revenue by product type for the years indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020		Changes (%)
	RMB'000	% of Revenue	RMB'000	% of Revenue	
By Products					
Revenue					
Adults					
Footwear	2,532,076	42.7	2,081,276	40.7	21.7
Apparel	2,147,035	36.2	2,001,807	39.0	7.3
Accessories	68,847	1.1	52,826	1.0	30.3
361° Kids	1,106,839	18.7	932,330	18.2	18.7
Others⁽¹⁾	78,685	1.3	58,719	1.1	34.0
Total	5,933,482	100	5,126,958	100	15.7

Note:

(1) Others comprised of sales of shoe soles.

MANAGEMENT DISCUSSION AND ANALYSIS

The following tables sets out the number of units sold and the AWP of the Group's main products for the years indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020		Changes	
	Total units sold	AWP ⁽¹⁾	Total units sold	AWP ⁽¹⁾	Units sold	AWP
	'000	RMB	'000	RMB	(%)	(%)
By volume and AWP						
Adults						
Footwear (pairs)	22,397	113.1	19,215	108.3	+16.6	+4.4
Apparel (pieces)	26,959	79.6	25,735	77.8	+4.8	+2.3
Accessories (pieces/pairs)	4,817	14.3	4,858	10.9	-0.8	+31.2
361° Kids	14,591	75.9	12,321	75.7	+18.4	+0.3

Note:

(1) The AWP represents the revenue divided by the total units sold for the year.

Cost of Sales

Cost of sales comprised the cost of in-house production and outsourcing cost and it was increased by 8.7% year-on-year to RMB3,461.1 million (2020: RMB3,185.2 million). During the year under review, the cost of internal production and outsourced products increased by 16.9% and 2.9% year-on-year, respectively. The increase in cost of internal production was attributable to the increase in raw materials consumed by 19.7% and labour cost by 31.8% year-on-year.

The cost of outsourced products included an amount of RMB9.7 million which represented a provision for slow-moving inventories written back with respect to the products for the overseas market as the products were sold during the year under review (2020: a provision for slow-moving inventories amounted to RMB11.1 million, which was charged and grouped under the cost of outsourced products). After the reduction and inclusion of the provision for slow moving inventories written back and charged for this year and last year of RMB9.7 million and RMB11.1 million, respectively, the adjusted cost of outsourced products was slightly increased by 2.9% (the increase in cost of outsourced products would be adjusted to 4.1% by excluding the effect of the provision for slow moving inventories written back and charged for this year and last year) during the year under review.

There was a change in the mix of the internally produced products and outsourced products: the portion of in-house production footwear and apparel products increased to 44.2% (2020: 41.0%) and the portion of outsourced footwear, apparel and accessories products decreased to 55.8% (2020: 59.0%) as more footwear products were produced by in-house production facilities to meet with the sales orders which led to the increase in cost of in-house production during the year under review.

The overall increase in cost of sales of 8.7% year-on-year was less than the increase in sales revenue of 15.7% year-on-year during the year under review. This was mainly due to the improvement of production efficiency and the adoption of a more stringent cost control and the change in product mix with higher profit margin products being produced which resulted in the percentage points increase in cost of sales being less than the percentage points increase in sales revenue during the year under review.

The following table sets out a breakdown of cost of sales for the years indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales
Footwear & Apparel (In-house Production)				
Raw materials	992,824	28.7	829,175	26.0
Labour	209,610	6.1	159,083	5.0
Overheads	325,847	9.4	319,566	10.0
	1,528,281	44.2	1,307,824	41.0
Outsourced Products				
Footwear	775,045	22.4	724,186	22.8
Apparel	1,103,737	31.9	1,105,015	34.7
Accessories	53,999	1.5	48,200	1.5
	1,932,781	55.8	1,877,401	59.0
Cost of sales	3,461,062	100.0	3,185,225	100.0

Gross profit and gross profit margin

The Group recorded a gross profit of RMB2,472.4 million (2020: RMB1,941.7 million) for the year of 2021, representing an increase of 3.8 percentage points in the gross profit margin to 41.7% during the year under review.

During the year under review, the gross profit margins of footwear, apparel, accessories, 361° Kids and others products increased by 4.5, 4.7, 10.0, 0.2 and 3.1 percentage points year-on-year, respectively.

The gross profit margin of the footwear increased from 38.6% to 43.1%. This was mainly due to an upward adjustment of the AWP charged to distributors back to the normal level in the situation before the pandemic happened in early 2020 in view of the improved market environment in China and an increase in the proportion of sales revenue generated from its e-commerce platform which conducted business at a higher gross profit margin than the sales made to distributors.

The gross profit margin of the apparel products during the year under review was 41.4% (2020: 36.7%), representing a year-on-year increase of 4.7 percentage points. This was mainly attributable to the Group adjusted the AWP of the distributors' apparel products to the normal level before the outbreak of epidemic. Other factors that contributed to an increase in the profit margin also included the decrease in production cost because of the improved production efficiency and effective cost control over the subcontractors, and the increase in proportion of sales revenue generated from its e-commerce platform which has a higher gross profit margin.

As to the accessories, their gross profit margin increased by 10.0 percentage points year-on-year to 38.4% (2020: 28.4%). This was mainly due to the upward adjustment of the AWP for distributors back to the normal level in the situation before the pandemic happened in early 2020 and the change in product mix of accessories.

The gross profit margin of the 361° Kids business edged up by 0.2 percentage points from 41.0% to 41.2%. It was mainly attributable to the increase in the proportion of sales revenue generated from its e-commerce platform which conducted business at a higher gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross profit margin of shoe soles, which was categorized under “Others,” was 12.7% (2020: 9.6%), increased by 3.1 percentage points year-on-year. The increase in the gross profit margin was due to the acceptance of more orders with higher margins in the second half of the year.

The following table sets forth a breakdown of the gross profit and gross profit margin during the years under review:

	For the year ended 31 December 2021		For the year ended 31 December 2020		Changes Percentage point
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Adults					
Footwear	1,091,227	43.1	804,188	38.6	+4.5
Apparel	888,696	41.4	734,532	36.7	+4.7
Accessories	26,455	38.4	15,002	28.4	+10.0
361° Kids	456,039	41.2	382,380	41.0	+0.2
Others⁽¹⁾	10,003	12.7	5,631	9.6	+3.1
Total	2,472,420	41.7	1,941,733	37.9	+3.8

Note:

(1) Others comprised of sales of shoe soles.

Other revenue

Other revenue of RMB354.1 million (2020: RMB279.0 million) mainly comprised of (i) interest income of RMB81.4 million (2020: RMB106.3 million) earned from bank deposits both in Hong Kong and the PRC; (ii) the discretionary government subsidies of RMB182.3 million (2020: RMB113.0 million) which was due to the Group's contribution to local economies; (iii) the commission of RMB58.1 million (2020: RMB55.8 million) charged from the sales of distributors' inventories through the e-commerce business; and (iv) others income of RMB32.3 million (2020: RMB3.8 million).

Other net (loss)/gain

The other net loss of RMB2.9 million (2020: other net gain of RMB46.3 million) mainly represented the net foreign exchange loss arising from the overseas business during the year under review. In 2020, the other net gain of RMB46.3 million mainly represented an unrealized exchange gain on the translation of senior unsecured US dollars notes into the Hong Kong dollars as a result of the appreciation of the Hong Kong dollars against the US dollars as of 31 December 2020.

Selling and distribution expenses

During the year under review, selling and distribution expenses increased by 18.3% year-on-year to RMB1,140.1 million (2020: RMB963.7 million). The selling expenses comprised advertising and promotional expenses, staff costs, online selling expenses, packing expenses and others. The increase was mainly due to the commitment of more resources to an advertising and promotion program for the purpose of boosting sales and enhancing the brand awareness, in particular, more activities held via the e-commerce platform, the increase in staff costs and increase in sales activities during the year under review, resulting in the increase of selling and distribution expenses.

Advertising and promotional expenses increased by 11.0% year-on-year to RMB604.4 million (2020: RMB544.7 million, including an amount of RMB50.0 million grouped under online selling expenses in last year) and accounted for approximately 10.2% (2020: 10.6%) of the Group's revenue. The decrease in percentage points on the Group's revenue was due to the over-provision of accrued advertising expenses in previous years amounted of RMB39.7 million being written-back and set-off against the gross advertising and promotion expenses of RMB644.1 million which represented 10.9% of the Group's revenue before this over-provision of accrued advertising expenses written back for the year under review. As the Chinese government successfully monitored and controlled the epidemic since the second half of 2020 with the overall market situation improved and the spending powers came back, the Group restarted some sponsorship programs and maintained a more aggressive approach for advertising and promotion activities in 2021 to enhance both its market position and its brand.

The online selling expenses mainly consisted of commission, other service fees paid to the e-commerce platforms, such as Tmall and JD.com, and the direct selling and distribution expenses in relation to the e-commerce business. During the year under review, the online selling expenses increased by 23.3% year-on-year to RMB232.2 million (2020: RMB188.3 million) which was mainly attributable to the increase in the e-commerce platform services expenses amounted to RMB128.0 million (2020: RMB96.2 million) and other expenses included in running the e-commerce business amounted to RMB104.2 million (2020: RMB92.1 million) to cope with the growth of e-commerce business during the year under review.

Administrative expenses

Administrative expenses increased by 26.6% year on year to RMB558.4 million for the year ended 31 December 2021 (2020: RMB441.1 million) and represented approximately 9.4% (2020: 8.6%) of the Group's revenue. The increase was mainly due to the year-on-year increase in the R&D expenses, staff costs, travelling, entertainments and office overheads, amortization of the fair value of the stock options granted to the staffs and donations of RMB42.4 million, RMB11.2 million, RMB17.9 million, RMB11.0 million and RMB10.5 million respectively during the year under review.

R&D expenses increased by 20.7% year-on-year to RMB246.9 million (2020: RMB204.5 million) and accounted for 4.2% (2020: 4.0%) of the Group's revenue for the year under review. The Group continued to incur substantial capital to finance its R&D activities and maintained its R&D expenses in the range of 3-4% of the total revenue per year. The Group believes that R&D is of vital importance to the success of the Group, and it would enhance the Group's product development and competitiveness in the market.

Provision for Impairment Loss

As the pandemic still waxes and wanes in the world, the Group made an additional provision for impairment loss arising from trade receivables of RMB42.1 million (2020: RMB39.5 million) as a conservative measure during the year under review. The total provision for impairment loss arising from trade receivables as of 31 December 2021 amounted to RMB132.4 million (2020: RMB90.3 million) which represented 5.0% (2020: 4.0%) of the trade receivables before provision at the year end.

Finance costs

During the year under review, financing costs decreased by 78.0% year-on-year to RMB36.8 million (2020: RMB167.3 million), of which RMB9.7 million (2020: RMB7.5 million) was in relation to bank borrowings, and the balance of RMB27.1 million (2020: RMB159.6 million) was mainly the relevant interest and cost in relation to the senior unsecured notes with an aggregate principal amount of US\$400,000,000 7.25% due 2021 (the "US Dollar Notes") issued on 3 June 2016 and amortized over the period.

As of 31 December 2021, the Group had short-term bank borrowings of RMB200.0 million for liquidity of two subsidiaries operating in the PRC and a mortgage bank loan of RMB7.8 million for financing the acquisition of an office in Hong Kong.

The finance cost of the US Dollar Notes charged for the year was RMB27.1 million (2020: RMB159.6 million), of which RMB26.2 million (2020: RMB149.0 million) was in relation to the interest charged for the year, and RMB0.9 million (2020: RMB10.6 million) was the relevant cost incurred for the issuance of the US Dollar Notes amortized over the tenor of five years. The decrease in the interest expenses for the US Dollar Notes was mainly due to the reduction in the outstanding principal amount of the US Dollar Notes for the year under review through the repurchase of the US Dollar Notes on the open market, the cancellation of the repurchased US Dollar Notes since 2019, and the full redemption of the senior unsecured US Dollar Notes by the Group at the maturity date on 3 June 2021.

Income tax expense

During the year under review, income tax expense of the Group amounted to RMB302.9 million (2020: RMB206.2 million) and the effective tax rate for the year was 29.0% (2020: 29.4%).

The Group's operating subsidiaries are mainly based in China. One of the Group's mainland China-based operating subsidiaries succeeded in obtaining a reduction in tax rate to 15% from a local tax authority in late 2019. Therefore, it was charged at a tax rate of 15%. The other major mainland China-based operating subsidiaries are still subject to the standard corporate income tax rate of 25%.

No provision has been made for profit tax paid by the Group's subsidiaries in Hong Kong since no operating income was generated in Hong Kong. As the US Dollar Notes were issued and listed in Hong Kong, the relevant interest and cost have been all accrued and paid by the holding company. Such finance costs were not allowed to be deducted from the taxable income of the Group's China-based operating subsidiaries.

Furthermore, the Group has incurred withholding tax expenses amounting to RMB62.2 million (2020: RMB27.5 million) mainly resulted from the remittance of funds from its operating subsidiaries in China by way of dividends to its overseas holding company for the repurchase and cancellation of the senior unsecured US Dollar Notes and redemption of the senior unsecured US Dollar Notes at the maturity date on 3 June 2021.

Non-controlling interest

The increase in non-controlling interest was mainly due to increase in profits from two non-wholly owned subsidiaries which engaged in the 361° Kids business and e-commerce business respectively. In addition, as a Partnership made the capital contribution in a subsidiary which engaged in the e-commerce business (further information can be referred to "Material acquisitions and disposals" on page 32) since the second half of 2020, a dilution effect on the Group's interest in this e-commerce subsidiary occurred for the whole year in 2021 while there were only 4 months in last year after the capital contribution. Moreover, all capital contribution made by the two independent third parties of the Partnership was completed during the year under review. Therefore, the Partnership fully completed capital increase in this e-commerce subsidiary during the year under review. This resulted in a further dilution of the Group's interest in this e-commerce subsidiary, which dropped by 2.88% and had led to the increase of the non-controlling interest in this e-commerce subsidiary in this year.

CAPITAL AND OTHER INFORMATION

Liquidity and financial resources

During the year under review, net cash inflow from operating activities of the Group amounted to RMB372.0 million. As of 31 December 2021, cash and cash equivalents, including bank deposits and cash in hands and fixed deposits with original maturities not exceeding three months, amounted to RMB3,339.0 million, representing a net decrease of RMB111.0 million compared to the position as of 31 December 2020.

The net increase was mainly attributable to the following items:

	For the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net cash generated from operating activities	371,952	22,838
Net capital expenditure	(8,982)	(7,413)
Dividends paid	–	(27,804)
Net withdrawal of pledged deposit	10,458	168,047
Proceeds from bank loans	100,000	200,948
Proceeds from an investor for capital injection of a subsidiary	199,950	349,940
Repayment of bank loans	(102,156)	(101,270)
Net uplift of deposits (with maturity over three months)	1,000,000	–
Interest received	67,827	100,480
Interest paid	(35,544)	(156,403)
Payment for repurchase of senior unsecured US\$ Notes	(967,326)	(504,452)
Redemption of senior unsecured US\$ Notes	(752,005)	–
Other net cash inflow/(outflow)	4,875	(11,675)
Net (decrease)/increase in cash and cash equivalents	(110,951)	33,236

The net cash generated from operating activities amounted to RMB372.0 million for the year ended 31 December 2021, which was mainly caused by the increase in operating profit, the increase in inventories, increase in trade receivable, decrease in bills receivable, increase in deposits, prepayments and other receivables and increase in trade and other payables. The increase in inventories was mainly due to increase of raw materials and finished goods to meet with the outstanding sales orders. The increase in trade and bills receivable was mainly due to the increase in sales revenue. The increase in deposits, prepayments and other receivables was mainly caused by the increase in deposit paid to subcontractors for the increase in purchase and subcontracting orders to fulfil its outstanding sales orders and the prepayments made to advertisers. The increase in trade and other payables was mainly due to the increase in purchases of raw materials and sub-contracting charges payable to the OEM caused by the growth of business, which was partly offset by the effect of the acceleration of settlement to the suppliers in exchange for a better trade terms at the request of suppliers and subcontractors, and the consideration of strengthening the long term relationship with subcontractors and suppliers under the uncertain market situation caused by the epidemic.

During the year under review, capital expenditure amounted to RMB9.0 million (2020: RMB7.4 million) and it was mainly incurred for the maintenance of facilities in relation to production and staff accommodation in Wuli Industrial Park, Jinjiang and replacement of some office equipment. No dividend was paid by the Group for the year ended 31 December 2021 (2020: RMB27.8 million). The net withdrawal of pledged bank deposit amounting to RMB10.5 million during the year under review was principally used for the settlement of bills payable to suppliers. The net decrease of RMB2.2 million in bank loans (2020: a net increase of RMB99.7 million in bank loans) represented the repayment of the principal of the mortgage in relation to the office in Hong Kong. The Group received the balance of RMB199.9 million from investors for the investment in the Group's e-commerce business which represented a 2.88% equity interest in the Group's e-commerce business on a fully diluted basis while in 2020, the Group received an aggregate amount of RMB349.9 million which represented a 13.1% equity interest in the Group's e-commerce business on a fully diluted basis. The Group made a net withdrawal of RMB1,000 million of time deposit with maturity over three months to redeem the US Dollar Notes due (2020: Nil). The interest received amounted to RMB67.8 million (2020: RMB100.5 million) representing interest income generated from the fixed deposit placed in the PRC and Hong Kong. The interest of RMB35.5 million (2020: RMB156.4 million) paid for the year was mainly the interest for the US Dollar Notes. During the year under review, the Group repurchased and cancelled US\$149.8 million (2020: US\$38.5 million) worth of US Dollar Notes in principal amount by the use of RMB967.3 million (2020: RMB504.5 million) and fully redeemed the outstanding principal of the US Dollar Notes amounted of RMB752.0 million (2020: Nil) on the maturity date.

The Group's gearing ratio was 1.8% as of 31 December 2021 (2020: 16.7%). (The details of the calculation can be found on Note 4 on page 3). Other than the short-term bank borrowings and the mortgage, the Group has not used other debt instruments to finance its operations for the year ended 31 December 2021.

Treasury policy and foreign exchange risk

The Group mainly operates in the PRC with most of the transactions settled in Renminbi. Part of the Group's cash and bank deposits are denominated in Hong Kong dollars. The Group also pays declared dividends in Hong Kong dollars.

The Group manages its foreign exchange risk by matching the currency of its loans and borrowings with the Group's functional currency of major cash receipts and underlying assets as far as possible. As of 31 December 2021, all borrowings were at floating rate. As part of its policy, the Group continues to monitor its borrowing profiles, taking into consideration the funding needs and market conditions to minimize the interest rate exposure. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may have a monetary impact on the Group.

During the year under review, the Group did not conduct any hedging activity against foreign currency risk.

Pledge of assets

As of 31 December 2021, a property with a net book value of RMB38.8 million (2020: RMB39.8 million) was pledged as security for a banking facility of the Group of RMB35.8 million (2020: RMB36.8 million). The previously mentioned banking facility was used to finance the acquisition of an office unit in Hong Kong. The office unit is for the Group's own use and not for any investment purpose. Bills payable as of 31 December 2021 were secured by pledged bank deposits of RMB46.9 million (2020: RMB62.6 million) and RMB5.3 million was pledged as the guarantee deposits for the 2022 Asian Games Committee (2020: Nil).

Working capital management

The average working capital cycle for the year ended 31 December 2021 was 114 days (2020: 119 days). The decrease was mainly due to the shortening of the turnover cycles of the trade and bills receivable and inventory. The shortening of such cycles was partly offset by the decrease in the trade and bills payable turnover days.

The average trade and bills receivable cycle was 149 days for the year ended 31 December 2021 (2020: 159 days), representing a decrease of 10 days which reflected the improved market condition and the Group's success in its closer connection with distributors during the year under review. As at 31 December 2021, an aggregated amount of RMB2,484.1 million (95.5%) of trade and bills receivable was within 180 days, of which around 78.4% was within 90 days and 17.1% was over 90 days but within 180 days.

Although the trade and bills receivable turnover cycle was improved, in view of the continuing uncertain market condition caused by the pandemic, the Group has made an additional provision for impairment losses of RMB42.1 million (2020: RMB39.5 million) charged for the sake of prudence during the year under review. The Group will continue to closely monitor the situation of its trade and other receivables and stay in touch with all the distributors on a more frequent basis. The Group believes that there will be further improvement in the average trade and bills receivable.

The average inventory turnover cycle was 87 days for the year ended 31 December 2021 (2020: 111 days). The improved inventory turnover cycle was mainly due to the recovery in the market in China and the distributors took a more aggressive attitude on taking the delivery of the orders according to the expected timetable to meet the strong market demand. About 89.2% of the inventory was finished goods which comprised of mainly 2021 winter and 2022 spring products. All the goods for the 361° core brand were either self-produced or supplied by original equipment manufacturers (OEMs) according to the orders received from distributors. No extra stock was produced or retained by the Group. The Group believes that the inventory management will be further improved in the forthcoming year.

As at 31 December 2021, prepayments to suppliers were RMB955.3 million, representing a 19.5% increase compared with the RMB799.2 million as of 31 December 2020. The prepayments were deposits paid for raw materials and to outsourced suppliers for the acceptance of the orders for production of products at the 2022 spring and summer trade fairs' products. The balance of other prepayments, RMB164.3 million (2020: RMB28.3 million), was mainly the payment in relation to the advertising and promotion contracts.

The average trade and bills payable cycle decreased by 29 days to 122 days for the year ended 31 December 2021 (2020: 151 days). The decrease was mainly due to the acceleration of settlement to the suppliers upon the request by the suppliers in exchange for a better trade term with the suppliers and enhance the long-term and stable relationship with suppliers. The Group believes that the average trade and bills payable cycle will be maintained at approximately 120 days in the forthcoming year.

Senior unsecured notes

On 3 June 2016, the Group issued US Dollar Notes in an aggregate principal amount of US\$400 million at an interest rate of 7.25% per annum due 3 June 2021 at an offering price of 99.055% of the aggregated principal amount of US\$400 million. The notes were listed on the Stock Exchange in Hong Kong (bond stock code: 5662). The net proceeds from the issue of the notes were mainly used for the redemption of the RMB1.5 billion, 7.5% senior unsecured notes due 2017 issued in September 2014 (bond stock code: 85992), development of the Group's overseas business and general working capital purposes.

During the year under review, the Group has repurchased and cancelled an aggregate principal amount of US\$149.8 million of the US Dollar Notes on the open market and a relevant loss of RMB1.2 million was recorded. The Group has redeemed all the outstanding principal of the US Dollar Notes on the maturity date of 3 June 2021 in accordance with the terms of the Indentures.

Details of the above repurchase and redemption of the US Dollar Notes are set out in the announcements of the Company dated 4 January 2021, 13 January 2021, 18 January 2021 and 4 June 2021.

Contingent liabilities

For the year ended 31 December 2021, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

For the year ended 31 December 2021, the Group did not make any material acquisitions or disposal of subsidiaries or associates except for what have been disclosed below.

On 16 July 2020, Sanliuyidu (China) Co., Ltd. (三六一度(中國)有限公司), a wholly owned subsidiary of the Company, entered into a limited partnership agreement (the “Limited Partnership Agreement”) with two independent third parties, in respect of the establishment of a limited partnership in the PRC (the “Partnership”). According to the Limited Partnership Agreement, the total amount of capital commitments of the Partnership is RMB1,100.0 million, of which the Group and the two independent third parties will contribute RMB550.1 million, RMB548.8 million and RMB1.1 million, respectively.

On the same date, after the establishment of the Partnership, all the partners in the Partnership entered into a capital increase agreement (the “Capital Increase Agreement”) with (i) shareholders of Duoyidu (Quanzhou) E-commerce Co., Ltd. (多一度(泉州)電子商務有限公司)* (“Duoyidu Quanzhou”), an indirect non-wholly owned subsidiary of the Company and (ii) Duoyidu Quanzhou, pursuant to which the Partnership agreed to make an investment of RMB1,100.0 million by cash (the “Investment”) in Duoyidu Quanzhou.

Duoyidu Quanzhou has received an aggregate amount of RMB700 million for the year ended 31 December 2020 and has received the remaining balance of RMB400 million during the year under review. Accordingly, the Group’s effective equity interest in Duoyidu Quanzhou was diluted from 72.13% to 69.25% in this year. The decrease of the 2.88% effective equity interest in Duoyidu Quanzhou was recognized as a deemed disposal and accounted for as an equity transaction and recorded in “Other Reserve” during the year under review.

Details of the above transactions are set out in the announcements of the Company dated 7 July 2020, 16 July 2020 and 22 July 2020.

Significant investments

For the year ended 31 December 2021, the Group had no significant investments.

As at the date of this report, the Group does not have any future plan for material investment or capital assets.

Employees and emoluments

As at 31 December 2021, the Group employed a total of 6,692 full time employees in the PRC who included management staff, technicians, salespersons and workers. For the year ended 31 December 2021, the Group’s total remuneration paid to employees was RMB656.4 million, representing 11.1% of the Group’s revenue. The emolument policies are based on the performance of individual employees and formulated to attract talent and retain quality staff. Apart from the mandatory provident fund scheme, which is operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees and the state managed retirement pension scheme for the PRC-based employees and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. The Group believes that its strength lies in the quality of its employees and has placed a great emphasis on fringe benefits. The Group also continuously offers comprehensive training to employees with the aim of fostering a learning culture that could enhance the employees’ professional knowledge and skills.

PROSPECTS

The emergence of new COVID-19 variants will add more uncertainties to the global economy. According to Global Economic Prospects published by the World Bank, the global economy growth is predicted to be slow at 4.1% in 2022, while China’s economic growth is still expected to be higher than the global average. In the post-pandemic era, with the Chinese government continuing to step up its policies on sports and significant increase of residents’ health awareness, the concept of nationals’ physical fitness has become more popular as more and more international sports events are held in China. The demand for sports consumption will continue to release, and China’s domestic sports industry still has huge room for growth.

Looking ahead to 2022, China's sports industry will usher in a golden period of development. 361° will adhere to the "consumer-centric" business philosophy and concentrate its resources to further consolidate and expand core competitiveness based on its positioning as a specialised, youthful and internationalised brand. In terms of brand building, the Group will proceed with its strategy of developing "professional sporting goods" and "fashionable sporting goods", continuously focusing on the functionality and trendiness of its main product lines, namely those for running, basketball, comprehensive training and sports life. It will also seek to develop co-branded products with more owners of IPs to reach broader consumer groups. In terms of kids' wear, the Group will seize the favorable opportunities brought by the three-child policy and "Double Reduction" policy, actively expanding its product lines. It will continue to launch products that integrate health technology and the element of trendiness to better meet the needs of various sports equipment for children and adolescents. In addition, the Group will explore cooperation with more third parties such as ball teams to further enhance the brand influence of kids' wear and continue to improve sales performance.

In terms of sales, the Group will maintain a balanced development of online and offline omni-channels. It will make precise efforts based on the positioning of the e-commerce platform, give full play to the multiple functions of the e-commerce platform, and promote the mutual promotion of offline physical store terminals, online e-commerce and new retail channels, so as to improve the overall operating efficiency. As the coverage of the ninth-generation stores under the brand of 361° and the fourth-generation stores under the brand of 361° Kids expands, and the Group continues to encourage agents to open stores in high-traffic places such as shopping malls, we expect a boost to sales performance. At the same time, online sales will also maintain a rapid upward trend as the Group continues to launch online limited products, organise promotional activities and expand the Group's influence in social channels. The Group expects that in the long run, the revenue of online and offline businesses will increase simultaneously, and their proportion gap is expected to gradually narrow to meet the needs of different groups and achieve a balanced development. At the same time, the Group will continue to leverage the power of scientific research and innovations to improve product quality, enhance core competitiveness and drive brand growth.

In 2022, the Beijing Winter Olympics were successfully held, which attracted the attention of global sports to be focused on China, and the Hangzhou Asian Games will be kicked off in the second half of the year. As the official partner of the Hangzhou Asian Games, the Group will continue to actively sponsor various large-scale sports events in the future to further promote the development of sports undertakings, gather China's passion to pass on to the world, and continuously enhance the brand value and international influence of 361°.

In the long run, the "China-Chic" in 2021 has brought domestic sports consumption brands to a new height, and consumers' trust and loyalty to domestic brands are on the rise. Chinese owned brands are expected to flourish and catch up with the development of overseas brands. The Group will continue to seize this opportunity to promote the brand development and achieve the leap-forward of 361°.



REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2021.

BUSINESS REVIEW

General

For the review of the business of the Group for the year ended 31 December 2021, please refer to the section headed “Management Discussion and Analysis – Business review” on pages 11 to 21 of this report.

Principal risks and uncertainties facing the Group

The following section lists out the key risks and uncertainties faced by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company, and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Risks pertaining to the sportswear market in the PRC

The Group’s business is subject to laws and regulations applicable to the sportswear industry in the PRC. These laws and regulations are subject to change and their interpretation and enforcement involve uncertainties that could limit the legal protections available to the Group. In addition, the PRC legal system is based in part on government policies that may have retrospective effect, which could cause uncertainties to the Group’s business as it will not be possible to predict the effect of future developments in the PRC legal system, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. If any of the Group’s past operations are deemed to be non-compliant with PRC law, the Group may be subject to penalties and the Group’s business and operations may be adversely affected.

Risks pertaining to the distributorship model

The Group relies primarily on a number of third-party distributors for sales of the Group’s products. Each distributors has exclusive distribution rights over a certain geographical area. The failure by such distributor to perform its obligations under its distributorship agreement with the Group may result in a material adverse effect on the business of the authorised retailers in such area. Besides, the Group does not have direct control over the authorised retailers to ensure their compliance with the Group’s policies, including operational requirements, exclusivity, customer service, store image and pricing. Non-compliance with the Group’s policies may cause material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Risk pertaining to the Group’s operations

The Group’s operations are subject to a number of risk factors distinctive to the sportswear market and the market in general. Default on the part of the Group’s distributors, suppliers and joint ventures partners, and inadequacies or failures of internal processes, people and systems or other external factors may have various levels of negative impact on the results of operations. Additionally, accidents may happen despite systems and policies set up for their prevention, which may lead to financial loss, litigation, or damage in reputation. Furthermore, the Group’s products are non-essential commodities, and thus the Group’s sales may be affected by the spending power and disposable income of the retail customers and general consumer sentiments. For instance, with the US-China trade war waging and the uncertainty of whether any deal will be reached between the two countries in the near future, the Directors believe it has caused certain negative impact on the consumers’ sentiment towards non-essential commodities such as the Group’s products during the year under review.

Risks pertaining to force majeure events, natural disasters or outbreaks of contagious diseases

The Group's business could be adversely affected by natural disasters or outbreaks of epidemics, which may affect the procurement of raw materials and manufacture, sale and exportation of the Group's products. Epidemics, pandemics or outbreaks or escalation of diseases, including, among others, Severe Acute Respiratory Syndromes (SARS), avian influenza, swine flu (H1N1), novel coronavirus in 2019 (COVID-19) and other diseases, may affect the livelihood of people in the PRC. These natural disasters, outbreaks of contagious diseases, and other adverse public health developments in the PRC could severely disrupt the Group's business operations by restricting travel and sales activities and delaying delivery of the Group's products and services, impact the productivity of the workforce, or reduce the demand for the Group's products, which may materially and adversely affect business, financial condition and results of operations of the Group.

Past performance and forward looking statements risks

The performance and the results of operation of the Group as set out in this annual report are historical in nature and past performance is not a guarantee of future performance. This annual report may contain forward-looking statements and opinions that involve risks and uncertainties. Actual results may also differ materially from expectations discussed in such forward-looking statements and opinions. Neither the Group nor the Directors, employees or agents of the Group assume any obligations or liabilities in the event that any of the forward-looking statements or opinions does not materialise or turns out to be incorrect.

Prospects

For the likely development of the Group's business, please refer to "Management Discussion and Analysis – Prospects" on page 32 of this report.

Post year-end events

Except as disclosed in this annual report, since 31 December 2021, being the end of the financial year under review, no important event has occurred affecting the Group.

Analysis of key financial performance indicators

For details of the key financial performance indicators to the performance the Group's business, please refer to "Financial Summary" on pages 2 and 3 of this annual report.

Environmental policies and performance

The Group emphasises in environmental protection during its production process and doing its part in curbing the global climate change.

The Group continues to update the requirements of the relevant environmental laws and regulations applicable to it to ensure compliance. The Group does not produce material waste nor emit material quantities of pollutants during its production process. During the year under review, the Group has complied with the relevant environmental laws and regulations applicable to it in all material respects, including waste water emission permit, solid waste disposal requirements and others.

The Group has also adopted measures in order to achieve efficient use of resources, energy saving and waste reduction. The measures include wastewater and solid waste managements, noise control, greenhouse gas emission and resources management.

The Company will separately publish the Environmental, Social and Governance Report for the year ended 31 December 2021 in compliance with Appendix 27 to the Listing Rules in due course.

Compliance with laws and regulations

The Group continues to update the requirement of the relevant laws and regulations in various countries, particularly in the PRC and Hong Kong, applicable to it to ensure compliance. Substantially, a majority of the Group's assets are located in the PRC and the Group's revenue is mainly derived from operations in the PRC. The Group was listed on the Stock Exchange of Hong Kong since 30 June 2009. During the year under review, the Group complied with the relevant laws and regulations in various countries applicable to it in all material respects.

Account of the Group's relationships with its key stakeholders

(i) Employees

The Group offers a comprehensive range of staff facilities and fringe benefits to attract, retain and motivate employees. Key personnel have been part of the management team since the inception of business. During the year under review, the Group considered the relationship with employees was well and the turnover rate was acceptable.

(ii) Suppliers

The Group's suppliers include raw material suppliers and contract manufacturers. A majority of footwear is produced by the Group itself while the Group outsources a portion of manufacturing of its footwear products, majority of apparel products, and all of its accessories products to third-party contract manufacturers. All key suppliers have a close and long term relationship with the Group. During the year under review, the Group considered the relationship with its suppliers was well and stable.

(iii) Distributors

The Group adopted the distributorship model for its products in the PRC ever since the beginning of 2008. Under this model, the Group primarily sells products to distributors in the PRC under distributorship agreements, which generally have a term of one year. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC. The Group maintains very good relationship with all the distributors.

(iv) Authorised retailers

The Group sells products primarily to distributors in the PRC, who in turn sell the same to authorised retailers. Authorised retailers then sell products to consumers. The Group's distributors enter into separate agreements with authorised retailers and require them to comply with the Group's standard operating procedures or policies, which include guidelines on the design and layout of authorised retail outlets, product pricing and customer service. The Group keeps a good relationship with all the authorised retailers through distributors, who act as the bridge of communication.

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is incorporated in the Cayman Islands and has its registered office at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Its principal place of business in Hong Kong is at Room 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 13 to the financial statements on pages 110 to 112 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the sales and purchases attributable to the major customers and suppliers of the Group respectively during the financial year is as follows:

	Percentage of the Group's total	
	sales	purchases
The largest customer	10%	
Five largest customers in aggregate	34%	
The largest supplier		5%
Five largest suppliers in aggregate		21%

At no time during the year under review have the directors, their close associates or any shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2021 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 68 to 146 of this annual report.

TRANSFER TO RESERVES AND DIVIDENDS

Profits attributable to equity shareholders, before dividends, of RMB601,700,000 (2020: RMB415,065,000) have been transferred to reserves. At 31 December 2021, aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB1,328,444,000 (2020: Nil). Other movements in reserves are set out in the consolidated statement of changes in equity.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2021. The Company is not aware of any arrangement under which a shareholder of the Company has waived or agreed to waive any dividends.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year under review amounted to RMB13,666,000 (2020: RMB3,150,000).

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 11 to the financial statements.

SENIOR UNSECURED NOTES

Details of the US\$ Notes issued by the Company are set out in note 21 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 24(c) to the financial statements.

PURCHASES, SALES OR BUY-BACKS OF THE COMPANY'S SECURITIES

On 3 June 2016, the Company issued the US\$ Notes on the Stock Exchange, which became effective on 6 June 2016. The net proceeds received was approximately US\$390.1 million. Please refer to the announcements of the Company dated 18 and 24 May 2016, and 3 June 2016 for more details.

For the year ended 31 December 2021, the Company repurchased and cancelled approximately US\$149.8 million (2020: US\$80.1 million) principal amount of the US\$ Notes listed on the Stock Exchange through the open market on the Stock Exchange for a total price of approximately US\$149.8 million (2020: US\$70.6 million), representing approximately 37.45% (2020: 20.03%) of the initial aggregate principal amount of the US\$ Notes. As at 3 June 2021, the Company fully redeemed the remaining principal amount of the US\$ Notes on the maturity date. Accordingly, the US\$ Notes was delisted on the Stock Exchange (bond code: 5662) on the same date.

As at 31 December 2021, there was no outstanding principal amount of the US\$ Notes after such repurchases and cancellations and redemption (2020: US\$266.1 million).

Except as disclosed in this section, neither Company nor any of its subsidiaries made any purchase, sale or buy-back of listed securities of the Company for the year ended 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles"), or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Ding Huihuang, Chairman
Mr. Ding Wuhao, President
Mr. Ding Huirong, Vice President
Mr. Wang Jiabi, Vice President

Independent non-executive Directors

Mr. Wu Ming Wai Louie
Mr. Hon Ping Cho Terence
Mr. Chen Chuang

Pursuant to Article 84 of the Articles at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

Pursuant to Article 84(1) of the Articles, Mr. Ding Huihuang, Mr. Ding Huirong and Mr. Wang Jiabi will retire from office by rotation at the forthcoming AGM. Mr. Ding Huihuang, Mr. Ding Huirong and Mr. Wang Jiabi are eligible and offer themselves for re-election.

DIRECTOR'S SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

PERMITTED INDEMNITY PROVISION

Under the Articles, generally, the Directors shall be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses for acts done, concurred in or omitted in when discharging their duties in the affairs of the Company, other than any matter in respect of any fraud or dishonesty.

In addition, the Company has taken out and maintained insurance for the Directors against liabilities to third parties that may be incurred in the course of performing their duties as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, were as follows:

LONG AND SHORT POSITION IN THE COMPANY

Name of Director	Long/short position	Nature of interest	Note	Number of shares (ordinary shares)	Percentage
Mr. Ding Wuhao	Long	Beneficial owner		11,962,000	0.58%
		Interest in controlled corporation	(1)	340,066,332	16.45%
Mr. Ding Huihuang	Long	Beneficial owner		9,189,000	0.44%
		Interest in controlled corporation	(2)	327,624,454	15.85%
Mr. Ding Huirong	Long	Interest in controlled corporation	(3)	324,066,454	15.67%
Mr. Wang Jiabi	Long	Interest in controlled corporation	(4)	168,784,611	8.16%

Notes:

- (1) Mr. Ding Wuhao is deemed to be interested in 340,066,332 shares of the Company held by Dings International Company Limited by virtue of it being controlled by Mr. Ding Wuhao. He is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.
- (2) Mr. Ding Huihuang is deemed to be interested in 327,624,454 shares of the Company held by Ming Rong International Company Limited by virtue of it being controlled by Mr. Ding Huihuang. He is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao.
- (3) Mr. Ding Huirong is deemed to be interested in 324,066,454 shares of the Company held by Hui Rong International Company Limited by virtue of it being controlled by Mr. Ding Huirong. He is the brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao.
- (4) Mr. Wang Jiabi is deemed to be interested in 168,784,611 shares of the Company held by Jia Wei International Co, Ltd. by virtue of it being controlled by Mr. Wang Jiabi.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

Share Option Scheme

The Company adopted a share option scheme on 18 May 2021 (“the Share Option Scheme”) for the purpose of enabling the Group to grant options to the eligible participants under the Share Option Scheme as incentives or rewards for their contribution to the Group. The Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of option of the Share Option Scheme to make an Offer to any person belonging to the following classes of participants (the “Eligible Participants”):

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (b) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (c) a direct or indirect shareholder of any member of the Group;
- (d) a supplier of goods or services to any member of the Group;
- (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; and
- (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group; and, for the purposes of the Share Option Scheme, the Offer may be made to any company wholly owned by one or more Eligible Participants.

The maximum number of shares which may be issued upon the exercise of all the options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the adoption of the Share Option Scheme initially, i.e. 206,760,200 shares. As at the date of this annual report, the total number of Shares available for issue upon the exercise of the options to be granted under the Share Option Scheme was 106,760,200, representing 5.16% of the total issued Shares as at the date of this annual report. No options may be granted to any eligible participant under the Share Option Scheme such that the total number of shares issued and to be issued upon exercise of the options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the Company's issued share capital from time to time.

An option may be exercised in accordance with the terms of the Share Option Scheme any time during a period as determined by the board of Directors and not exceeding 10 years from the date of the grant under the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised. Eligible participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the grant on or before 21 days after the offer date. The exercise price of the options is determined by the board of Directors in its absolute discretion and shall not be less than whichever is the highest of:

- (a) the nominal value of a share;
- (b) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of the shares on the offer date; and
- (c) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date.

The Share Option Scheme shall be valid and effective for a period of 10 years from 18 May, 2021 after which no further options pursuant to the Share Option Scheme may be granted. As at the date of this annual report, the remaining life of the Share Option Scheme was approximately 9 years. Please refer to the circular of the Company dated 16 April 2021 for further details of the terms of the Share Option Scheme.

On 21 June, 2021, the Company granted a total of 100,000,000 share options to 118 eligible participants of the Group under the Share Option Scheme. Each option shall entitle the grantee to subscribe for one share upon exercise of such option at an exercise price of HK\$4.10 per Share (Note 1). None of the grantees is a director, chief executive or substantial shareholder of the Company or an associate of any of them, or a supplier of goods or services to any member of the Group. No option was granted in excess of the individual limit of each eligible participant. The following table discloses movements in the Company's share options during the year ended 31 December 2021:

	Balance as at 1 January 2021	Granted during the period ^(Note 2)	Exercised during the period	Lapsed during the period	Cancelled during the period	Balance as at 31 December 2021
Employees of the Group	-	54,800,000	-	(320,000)	-	54,480,000
Other participants	-	45,200,000	-	-	-	45,200,000
	-	100,000,000	-	(320,000)	-	99,680,000

Notes:

1. The closing price was HK\$4.10 per share on the date of the grant.
2. All of the share options are exercisable from 21 December 2022 and expiring on 20 June 2023 (both dates inclusive). The vesting period of the share options is from the date of grant until the commencement of the exercise period. The Company has used the Binomial Model to determine the fair value of the options as at the date of grant, which is to be recorded in profit or loss over the vesting period. The fair value of the options granted by the Company was HK\$1.14 per share. After taking into account of the historical staff turnover ratio, a pre-vesting forfeiture rate of 28.55% was adopted to determine the number of options to be forfeited before the vesting period. Other than the exercise price mentioned above, the inputs used in the Binomial Model, which are based on the management's best estimate to determine the fair value of options, include:

Granted on 21 June 2021

Closing price as at the date of grant	HK\$4.10
Risk free interest rate	0.14%
Expected dividend yield	3.70%
Expected volatility	57.03%
Suboptimal factor	2.47%

The expected life of the options is based on the directors' estimation and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of shareholders	Note	Nature of interest	Long/Short position in ordinary shares held ⁽¹⁾	Percentage of total issued shares
Dings International Company Limited	(2)	Beneficial owner	340,066,332 (L)	16.45%
Ming Rong International Company Limited	(3)	Beneficial owner	327,624,454 (L)	15.85%
Hui Rong International Company Limited	(4)	Beneficial owner	324,066,454 (L)	15.67%
Jia Wei International Co., Ltd.	(5)	Beneficial owner	168,784,611 (L)	8.16%
Jia Chen International Co., Ltd.	(6)	Beneficial owner	168,784,611 (L)	8.16%
Mr. Wang Jiachen	(6)	Interest in controlled corporation	168,784,611 (L)	8.16%

Notes:

1. The letter “L” indicates long position whereas the letter “S” indicates short position.
2. The entire issued share capital of Dings International Company Limited is owned by Mr. Ding Wuhao, an executive director and the president of the Company. Mr. Ding Wuhao is the sole director of Dings International Company Limited.
3. The entire issued share capital of Ming Rong International Company Limited is owned by Mr. Ding Huihuang, an executive director and the chairman of the Company. Mr. Ding Huihuang is the sole director of Ming Rong International Company Limited.
4. The entire issued share capital of Hui Rong International Company Limited is owned by Mr. Ding Huirong, an executive director. Mr. Ding Huirong is the sole director of Hui Rong International Company Limited.
5. The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr. Wang Jiabi, an executive director. Mr. Wang Jiabi is the sole director of Jia Wei International Co., Ltd.
6. The entire issued share capital of Jia Chen International Co., Ltd. is owned by Mr. Wang Jiachen, who is the brother of Mr. Wang Jiabi, an executive director of the Company.

Save as disclosed above, as at 31 December 2021, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Directors are satisfied that the Company has maintained the prescribed minimum public float under Rule 8.08 of the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company’s listed securities.

MANAGEMENT CONTRACTS

Other than Directors’ service contracts and employment contracts with the Group’s senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2021.

DIRECTORS’ INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which director of the Company had a material interest, subsisted at the end of the year or at any time during the year. No transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries, and no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2021, none of the Directors or their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Each of Mr. Ding Wuhao, Dings International Company Limited, Mr. Ding Huihuang, Ming Rong International Company Limited, Mr. Ding Huirong and Hui Rong International Company Limited (collectively the "Covenantors" and each a "Covenantor") confirmed that, as at 31 December 2021, he/it had complied with the terms of the deed of non-competition ("Deed of Non-competition") dated 10 June 2009 signed by each of them in favour of the Group.

To monitor the compliance of the terms of the Deed of Non-competition by the Covenantors, the independent non-executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-competition for the year ended 31 December 2021.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in note 20 to the financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 28 to the financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 2 and 3 of this annual report.

RETIREMENT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("the MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately. No forfeited contributions may be used by the Group to reduce the existing level of contributions as the contributions are fully vested to the employees upon payments to the MPF Scheme.

The employees of the subsidiaries of the Company in the PRC are members of the retirement schemes operated by the local authorities. The subsidiaries are required to contribute a certain percentage of the eligible employees' salaries to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is the required contributions under the schemes. No forfeited contributions will be used by the Group to reduce the existing level of contributions.

The Group's total contributions to retirement schemes charged to the consolidated income statement during the year ended 31 December 2021 amounted to RMB28,802,000 (2020: RMB20,310,000).

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

CORPORATE GOVERNANCE CODE PRACTICES

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in the Appendix 14 to the Listing Rules during the year under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Upon the Company's enquires, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2021.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2021.

AUDITORS

KPMG has resigned as the auditor of the Company with effect from 13 November 2019 as KPMG and the Company could not reach a consensus on the audit service fee regarding the annual audit for the financial year ended 31 December 2019. The Board, with the recommendation from the Audit Committee, has resolved to appoint Moore Stephens CPA Limited ("Moore") as the new auditor of the Company with effect from 13 November 2019 to fill the casual vacancy following the resignation of KPMG.

Moore will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Moore as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order and on behalf of the board of Directors

DING HUIHUANG

Chairman

Hong Kong, 23 March 2022



CORPORATE GOVERNANCE REPORT

The Company has made continuous effort to ensure high standards of corporate governance. The principles of corporate governance adopted by the Company emphasises a quality board, sound internal controls and accountability to shareholders. These are based upon our established ethical corporate culture.

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in the Appendix 14 to the Listing Rules during the year ended 31 December 2021.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries with all of the Directors, all of the Directors confirmed that they had complied with the required standards set out in the Model Code for the year under review.

BOARD OF DIRECTORS

Responsibilities, accountabilities and contributions of the Board and the Management

The overall management of the business of the Group is vested in the Board. Key responsibilities of the Board include formulation of the Group’s overall strategies and policies, setting of performance targets, evaluation of business performance, oversight of management, include designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement. The Board is also responsible for ensuring sound and effective internal control systems are maintained. Please refer to “Risk Management and Internal Control” in this Corporate Governance Report for further details. The management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group.

The Directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group. However, the above statement should be read in conjunction with, but distinguished from, the independent auditor’s report in the section headed “Independent Auditor’s Report” which acknowledges the reporting responsibilities of the Group’s auditor.

To further accountability, the announcements containing the interim and full year financial results are signed by the chairman of the Board, Mr. Ding Huihuang, for and on behalf of the Board to confirm that it is to the best of the Board’s knowledge, nothing has come to the attention of the Board which may render such results to be false or misleading in any material respects. The Board approves the financial results after review and authorise the release of the results on the websites of the Company (www.361sport.com) and the Stock Exchange (www.hkexnews.hk) to the public.

Corporate governance

The Board is entrusted with the overall responsibility of: (i) developing and reviewing the Company’s policies and practices on corporate governance and make recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Company’s Directors and senior management; (iii) reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring codes of conduct and compliance manuals (if any) applicable to the Company’s employees and Directors; and (v) reviewing the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year under review, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company in compliance with the CG Code and the Listing Rules. Further, the Board reviewed and monitored the Group's policies and practices, and noted that the Group had complied with the relevant legal and regulatory requirements in all material respects during the year under review. The Board also reviewed the employees' manual applicable to the employees of the Company. Lastly, the Board has reviewed the Company's compliance with the CG Code and the disclosure of this Corporate Governance Report.

Attendance of each Director at the Board and committee meetings held during the year under review is summarised as follows:

	Training courses	Board Meeting <i>iv</i>	Annual General Meeting <i>iv</i>	Audit Committee <i>iv</i>	Remuneration Committee <i>iv</i>	Nomination Committee <i>iv</i>
Executive Directors						
Mr. Ding Huihuang (Chairman)	i	6/6	1/1	N/A	N/A	N/A
Mr. Ding Wuhao (President)	i	6/6	1/1	N/A	N/A	1/1
Mr. Ding Huirong (Vice President)	i	6/6	1/1	N/A	N/A	N/A
Mr. Wang Jiabi (Vice President)	i	6/6	1/1	N/A	2/2	N/A
Independent Non-executive Directors						
Mr. Wu Ming Wai Louie	i, ii, iii	6/6	1/1	4/4	N/A	1/1
Mr. Hon Ping Cho Terence	i, ii, iii	6/6	1/1	4/4	2/2	1/1
Mr. Chen Chuang	i	6/6	1/1	4/4	2/2	N/A

Notes:

- i. Directors who attended Corporate Governance training course organised by the Company's legal adviser during the year under review.
- ii. Directors who attended courses organised by professional bodies during the year.
- iii. Directors who attended courses organised by the Hong Kong Institute of Certified Public Accountants.

The Chairman held one meeting with all the independent non-executive Directors without the presence of other Directors to discuss of the Company's business during the year under review.

Board composition

For the year ended 31 December 2021 and as at 31 December 2021, the Board comprised of four executive Directors and three independent non-executive Directors. Biographical details of the current Directors and the relationships between the Directors (if any) are set out in the section headed "Directors and Senior Management" of this annual report.

Among the members of the Board, Mr. Ding Huihuang and Mr. Ding Huirong are brothers and Mr. Ding Wuhao is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In determining the independence of the independent non-executive Directors, the Board follows the requirements as set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

THE ROLES OF THE CHAIRMAN AND PRESIDENT

The divisions of responsibilities between the Chairman of the Board, Mr. Ding Huihuang, and the President, Mr. Ding Wuhao, who effectively performs the functions of the chief executive officer of the Group, are clearly defined and have been approved by the Board.

The Chairman leads the Board in the determination of its strategy and in the achievement of its objectives. He is primarily responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The President is directly in charge of the daily operations of the Group and are accountable to the Board for the financial and operational performance of the Group.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 30 June 2009 which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

Each of the independent non-executive Directors has entered into a service contract with the Company for an initial term of three years from their respective dates of appointment which is renewable upon expiry, subject to compliance with the Listing Rules and termination in accordance with the provisions of the service contract or by either party giving the other not less than three months' prior written notice.

In accordance with the Company's articles of association, each year, one-third of the Directors (including executive Directors and independent non-executive Directors) for the time being will retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years at the general meeting.

TERMS OF APPOINTMENT OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 June 2009, renewable upon expiry, and each of such service contracts was renewed on 30 June 2012, 30 June 2015, 30 June 2018 and 30 June, 2021, respectively. Each of Mr. Hon Ping Cho Terence, Mr. Chen Chuang and Mr. Wu Ming Wai Louie, all of whom are independent non-executive Directors, has entered into a service contract with the Company for a term of three years commencing from 20 May 2019 and 27 August 2019 and 4 August 2020, respectively, which are also renewable upon expiry.

No Director has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

COMPANY SECRETARY

Mr. Li Yuen Fai Roger, the company secretary of the Company, reports to Mr. Ding Wuhao, the President. The details of his biographical is set out in the section headed “Director and Senior Management” of this annual report. Mr. Li has also confirmed that he has taken no less than 15 hours relevant professional training during the financial year.

BOARD COMMITTEES

As an integral part of good corporate governance practices, the Board has established the following Board committees to oversee particular aspects of the Group’s affairs. These committees are governed by their respective written terms of reference approved by the Board.

AUDIT COMMITTEE

The audit committee of the Board (the “Audit Committee”) was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting period, the Audit Committee comprised three members who all are independent non-executive Directors, namely, Mr Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang with Mr. Wu Ming Wai Louie being the chairman.

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practice adopted by the Group.

CORPORATE GOVERNANCE REPORT

The primary duties of the Audit Committee are mainly to: (i) make recommendations to the Board on the appointment, reappointment and removal of the external auditors; (ii) approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal; (iii) review and monitor the external auditors’ independence, objectivity and the effectiveness of the audit process in accordance with applicable standards; (iv) discuss with the external auditors regarding the nature and scope of the audit and reporting obligations before the audit commences; (v) develop and implement policy on engaging an external auditors to supply non-audit services, identifying and making recommendations on any matters where action or improvement is needed; (vi) monitor integrity of the Company’s financial statements, annual report, accounts and half-year report; (vii) review significant financial reporting judgements contained in them; and (viii) assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems. In reviewing these reports before their submission to the Board, the Audit Committee has focused particularly on:

- (i) any changes in accounting policies and practices;
- (ii) major judgmental areas;
- (iii) significant adjustments resulting from audit;

- (iv) the going concern assumptions and any qualifications;
- (v) compliance with accounting standards;
- (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and
- (vii) reviewing the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards.

The duties of the Audit Committee also include reviewing the arrangements which employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control, risk management systems or other matters. The Audit Committee has ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up actions, and acts as the key representative body for overseeing the Company's relations with the external auditors.

The Audit Committee held four meetings during the year ended 31 December 2021 with three meetings having been attended by external auditors. The meetings primarily discussed the auditing, internal audit function, risk management, internal controls and financial reporting matters of the Company. The Audit Committee has including but not limited to: (i) considered significant or unusual items that are, or may need to be, reflected in the reports and accounts and matters that have been put forward by the Company's staff responsible for the accounting and financial reporting function as well as external auditors; (ii) oversighted the Company's financial reporting system and internal control procedures to review the Company's financial controls, internal control and risk management systems; (iii) reviewed the effectiveness of internal audit function by the review of internal audit reports and meeting with the head of internal audit department; and (iv) discussed with the management about the risk management and internal control system of the Company to ensure that management has performed its duty to have an effective risk management and internal control system. The discussion also included (a) the adequacy of resources; (b) staff qualifications and experience; (c) training programmes and budget of the Company's accounting and financial reporting function; (d) major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (e) ensured co-ordination between the internal and external auditors; (f) ensured the internal audit function is adequately resourced and has appropriate standing within the Company; (g) reviewed and monitored the effectiveness of the internal audit function of the Group; (h) review of the Group's financial and accounting policies and practices and the external auditors' management letter; (i) material queries raised by the external auditors to management about accounting records, and financial accounts and systems of control as well as management's responses. During the year under review, the Audit Committee has also reviewed the consolidated financial statements of the Group for the six months ended 30 June 2021 and the year ended 31 December 2021. For the details of members' attendance of the Audit Committee's meeting, please refer to the table on page 47.

REMUNERATION COMMITTEE

The remuneration committee of the Board (the “Remuneration Committee”) was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting year, the Remuneration Committee comprised three members, namely, Mr. Chen Chuang, Mr. Wang Jiabi and Mr. Hon Ping Cho Terence with Mr. Chen Chuang being the chairman.

The primary duties of the Remuneration Committee include to: (i) make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; (iii) make recommendation to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments; (iv) make recommendations to the Board on the remuneration of non-executive Directors; (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and (vii) ensure that no director or any of his associates is involved in deciding his own remuneration.

The emolument policy of the employees of the Group is determined on the basis of their merit, qualifications and competence.

The emolument of the Directors are recommended by the Remuneration Committee, having regard to the Company’s operating results, individual performance, experience, responsibility, workload and time devoted to the Company and comparable market statistics. Each of the executive Directors is entitled to a basic salary which is reviewed annually. In addition, each of the executive Directors may receive a discretionary bonus as the Board may recommend, the aggregate amount for all executive Directors shall not exceed 5% of the audited consolidated net profits after tax of the Group for the relevant financial year. Such amount has to be approved by the Remuneration Committee.

The Remuneration Committee held two meetings, including to assess performance of the executive Directors, review and approve the remuneration packages of Directors and senior management of the Group and to review and approve the stock option granted during the year ended 31 December 2021.

For the details of members’ attendance of the Remuneration Committee Meeting, please refer to the table on page 47.

NOMINATION COMMITTEE

The nomination committee of the Board (the “Nomination Committee”) was established on 10 June 2009 with written terms of reference in compliance with the CG Code. During the reporting year, the Nomination Committee comprised of three members, namely Mr. Ding Wuhao, Mr. Wu Ming Wai Louie and Mr. Hon Ping Cho Terence with Mr. Hon Ping Cho Terence being the chairman.

The primary duties of the Nomination Committee include to: (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board annually and make recommendations on any proposed changes to the Board to complement the corporate's strategy; (ii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive Directors; and (iv) make recommendations to the Board on the appointment or reappointment of Directors and succession planning for directors, in particular the Chairman and the President of the Company.

The Company has adopted the board diversity policy on 29 August 2013, which was revised on 1 January 2019 (the "Board Diversity Policy"). The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Board Diversity Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to, gender, age, cultural background, educational background, and professional experience, which are the measurable objectives for implementing the Board Diversity Policy. The Nomination Committee is also responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the Board Diversity Policy and the measurable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board. For the year ended 31 December 2021, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

- (a) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;
- (b) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;
- (c) To ensure at least one member of the Board was or currently is director of listed companies (including Hong Kong and other regions) other than the Company;
- (d) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and PRC); and
- (e) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Board nomination and appointments will continue to be made on merit basis based on the Group's business needs from time to time with adequate consideration of diversity of Board members.

A summary of nomination process is as follows:

Appointment of new director

- (1) The Nomination Committee or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the Board Diversity Policy to determine whether such candidate is qualified for directorship.
- (2) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (3) The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.
- (4) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board shall evaluate such candidate based on the criteria as set out in the Board Diversity Policy to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

- (1) The Nomination Committee and the Board shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.
- (2) The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in the Board Diversity Policy.
- (3) The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

During the year under review, the Nomination Committee held one meeting in the year ended 31 December 2021. The work carried out by the Nomination Committee during the year included to nominate the members of Board for retirement and re-election at the annual general meeting and to review the structure, size and composition of the Board. For the details of members' attendance of the Nomination Committee meeting, please refer to page 47 of this annual report. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of persons
HK\$1,500,001 to HK\$2,000,000	–
HK\$2,000,001 to HK\$2,500,000	4
HK\$2,500,001 to HK\$3,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the financial statements, respectively.

AUDITORS' REMUNERATION

During the year ended 31 December 2021, the remuneration paid or payable to the external auditors, in respect of their audit and non-audit services are as follows:

	2021
Statutory audit services	HK\$3,020,000
Non-audit services	HK\$250,000
Total	HK\$3,270,000

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

The Board acknowledges its responsibility for ensuring that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of shareholders. The Group has developed and established an internal audit and risk management department (the "IARM Department"), which reports to the Board and the Audit Committee, to look after the Group's systems of internal control, risk management and the internal audit function. The systems of internal control and risk management are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The primary responsibilities of each parties of the Group's risk governance structure are summarised as follows:

Board

It determines the business strategic objectives of the Group, and evaluates the nature and extent of the risks that the Group is willing to take to achieve the strategic objectives of the Group. It also ensures that the Group appropriately and effectively establishes and maintains risk management and internal control systems, and oversees the overall design, implementation and supervision of risk management and internal control systems.

Audit Committee

It is responsible for supervising and guiding the IARM department and the management to establish and operate the internal control systems, regularly supervising the Group's risk management and internal control systems, and making recommendations to the Board. The risk management and internal control systems are reviewed, at least annually, for its effectiveness and the review includes all major aspects of control, including financial, operational and compliance controls.

During the annual review, it ensures the effective risk management and internal control systems have the adequacy of resources, budget, adequate staff qualifications and experience and staff training programs of the Group's accounting, internal audit and financial reporting functions.

IARM Department

It assesses the effectiveness and adequacy of the Group's risk management and internal control systems and reports the findings to the Audit Committee for improvement of the identified control weaknesses or material systems deficiencies.

Management

It is delegated and authorised to (i) design, implement and maintain risk management and internal control systems appropriately and effectively; (ii) identify, evaluate, manage and control the risks that may have potential and material impacts on the processes of the operations; (iii) monitor risks and take appropriate methods to mitigate risks; (iv) respond promptly to and follow up the findings of the risk management and internal control issues raised by the IARM department; and (v) provide confirmation to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems.

Risk management process

The Group has established risk management manual to formulate the risk management process and the management is committed to fostering a risk aware and control conscious environment. The staff in all levels within the Group are also required to take the relevant responsibility on the risk management process. The procedures for risk management are as follows:

Risk identification

Both internal and external factors including economic, political, social, technology and environmental factors, laws and regulations, business objectives and stakeholders' expectation would be considered.

Risk assessment

The risk identified would be assessed and rated based on the likelihood and impact to the achievement of the Group's objectives.

Control activities

The internal control procedures have been designed and implemented to address the risks.

Risk monitoring

Risk register has been maintained and updated regularly to monitor risks on an ongoing basis.

Risk management review

The Board and the Audit Committee would perform a review of any change of significant risks reported by the IARM department.

Annual Review

During the year under review, the IARM department conducted reviews of the risk management and internal control systems of the Company and reported to the Board and Audit Committee from time to time. Both the Board and Audit Committee considered that such the risk management system and internal control systems of the Company had been implemented effectively. The reviews covered all material controls, including financial, operational and compliance controls, internal audit function and risk management functions. The IARM department reported no major findings but areas for improvement have been identified. All of the recommendations reported by the IARM department will be properly followed up to ensure that significant control activities are implemented properly in place within a reasonable period of time. The Board and the Audit Committee are of the view that the risk management system, the internal control system including the adequacy of resources, qualifications and experience of staff in its accounting and financial reporting functions, their training programmes and budget, and the internal audit function are effective and adequate.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and business partners to raise concerns, in confidence, to the Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

Policy and Procedures of Handling and Dissemination of Inside Information

The Company has adopted an internal policy on the handling and the dissemination of inside information, which is drawn-up in accordance with the Listing Rules and the SFO, and with reference to the Guideline on Disclosure of Inside Information published by the Hong Kong Securities and Futures Commission in June 2012.

Each business unit is responsible for monitoring any potential inside information within its operations. If there is any potential inside information, such information will be escalated to the senior management and the company secretary of the Company so that an assessment will be made whether an announcement will need to be made. If an announcement will be made including considering whether any safe harbor is available under the SFO, such announcement will be made by the Company on timely basis to enable the public, namely shareholders, potential investors and other stakeholders of the Company, to assess such information. All inside information is kept strictly confidential and is restricted to relevant parties on a need-to-know basis to ensure confidentiality until disclosure has been made to the public by way of an announcement.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Relationship with Investors

The Board recognises that effective and timely communication with the Company's investors plays a crucial role in maintaining existing investors' confidence and attracting new investors, so the Group continuously places great importance on proactive communication with its existing and potential investors.

The Group's Investor Relations Department has maintained close communication with shareholders and investors through email, conference call, one-on-one meetings, attending broker conferences, and non-deal roadshows, to ensure that investors and shareholders have received the Company's updates in a fair and timely manner and to facilitate their investment decision-making. To cope with the outbreak of COVID-19 during the year under review, the Group actively maintained communication with the capital market through new channels such as video and audio conferences. The Group also managed to arrange several physical events for investors and analysts, including inviting them to participate in the Group's trade fairs held in different quarter, so as to deepen the capital market's understanding of the Group's business and operations and further enhance corporate transparency. The investors may also visit the Group's Investor Relations website at www.ir.361sport.com where the Group's announcements, financial information, stock quotes, list of analysts, results briefing, press releases and other information are posted. The Group welcomes all investors to continue to give their opinions and suggestions to the Group. For any enquiries, please feel free to contact our Investor Relations Department via email to nina@361sportshk.com.

During the year under review, the Company was honored to win the "Best IR Company" in the small-cap category at the seventh session of the Investor Relations Awards 2021 organised by Hong Kong Investor Relations Association. Meanwhile, the Company's investor relations team, namely Mr. Chen Yongling, Ms. Nina Zhan, and Ms. Annabel Zhang, won the title of the "Best IR Team". In the future, the Group will continue to maintain the high standard of investor relations and strive to enhance corporate transparency.

Voting by Poll

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of voting by poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. Results of votings would be declared at the meeting and published on the websites of the Stock Exchange and the Company respectively.

Dividend Policy

The Company has adopted a dividend policy and the declaration and recommendation of dividends are subject to the decision of the Board after considering the Company's ability to pay dividends. The Board has complete discretion on whether to recommend and/or pay a dividend, subject to Shareholders' approval, where applicable.

The Directors will take into consideration, among other things, the financial results, operations, liquidity and capital requirements of the Group, general business conditions and strategies, future business plans of the Group and legal restrictions when determining whether or not to recommend and declare dividends. The Board will also review and reassess the dividend policy and its effectiveness on a regular basis or as required.

Convening of extraordinary general meeting on requisition by Shareholders

Pursuant to Articles 57 of the articles of association of the Company, each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The Board may whenever it thinks fit call extraordinary general meetings. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meetings

Any shareholder of the Company who wishes to put forward proposals at general meetings of the Company shall submit such proposals to the Board in writing for the Board's consideration not less than 7 days prior to the date of a general meeting through the Company Secretary whose contact details are set out in the paragraph "Procedures for directing shareholders' enquiries to the Board" below.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary whose contact details are as follows:

The Company Secretary

361 Degrees International Limited
Room 1609, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Email: 361@361sportshk.com
Tel No.: +852 2907 7088
Fax No.: +852 2907 7198

The Company Secretary shall forward shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, in order for the Board to respond to such enquires.

Constitutional Documents

There was no change in the memorandum and articles of association of the Company during the year ended 31 December 2021.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Wuhao (丁伍號), aged 56, joined the Group in June 2003 and has been the President of the Company since August 2008. He is primarily responsible for the Group's overall strategies, planning and business development. He has over 20 years of experience in the PRC sportswear industry. Since December 2006, he has been a member of the Chinese People's Political Consultative Conference ("CPPCC") Fujian Province Jinjiang City Committee (中國人民政治協商會議福建省晉江市委員會). In October 2008, he received the award of the "2008 Most Socially Responsible Entrepreneur in China" (2008年度中國最具社會責任企業家) by the Annual Selection Organising Committee of China Human Resources Management (中國人力資源管理年度評選組委會). In May 2009, he received the "Contribution Award for China TV Sports Programmes" (中國體育電視貢獻獎) by CCTV Sports Channel (中央電視台體育頻道). In 2010, he was awarded "Top Ten Chinese Entrepreneur of Integrity of the Year (創業中國年度十大誠信人物獎)" by "Example for China (《榜樣中國》)", "Outstanding Contribution Award for Asian Games (亞運突出貢獻獎)" by 16th Asian Games Organising Committee (第十六屆亞運會組委會), and "Outstanding Contribution Award of Asian Games (亞洲體育傑出貢獻獎)" by Olympic Council of Asia (亞洲奧林匹克理事會). In 2011, he was awarded "The Most Caring Chinese Entrepreneur on Staff's Development (中國最關注員工發展企業家)" at the eighth session of China Human Resource Management Innovation Summit (第八屆中國人力資源管理創新高峰會) and "Top Ten Youth Business Leader in Asia (亞洲十大青年商業領袖)" by Forbes. He completed a CEO in China's Enterprise/Finance program at the Cheung Kong Graduate School of Business in August 2012. Mr. Ding is the brother-in-law of Mr. Ding Huihuang and Mr. Ding Huirong, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Dings International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huihuang (丁輝煌), aged 56, joined the Group in June 2003. He was appointed as an executive Director in August 2008 and is the chairman of the Company. He is primarily responsible for overall strategies, operation planning and footwear production. He has over 20 years of experience in the PRC sportswear industry. He was awarded the "Top Ten Outstanding Youths in China Industrial Economy" (中國工業經濟十大傑出青年) by the Organising Committee of China Industry Forum (中國工業論壇組委會) in January 2008 and the "Top Ten Outstanding Youth Entrepreneurs of Quanzhou City" (泉州市十大傑出青年企業家) jointly issued by 18 governmental and commercial institutions in Quanzhou City, Fujian Province, the PRC, in February 2007. He has been a standing member of the third committee of Quanzhou City Shoe Commercial Association (泉州市鞋業商會) and a vice chairman of Fujian Province Shoe Industry Association (福建省鞋業行業協會) since January 2006 and January 2007 respectively. Mr. Ding is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Ming Rong International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huirong (丁輝榮), aged 50, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for financial management and infrastructure construction management of the Company, more specifically the construction of the new production facility and warehouse of the Group at the Wuli Industrial Park. He has over 20 years of experience in financial management. Mr. Ding is the younger brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Hui Rong International Company Limited, a substantial shareholder of the Company.

Mr. Wang Jiabi (王加碧), aged 64, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for human resources and external public relationship. Mr. Wang has over 20 years of experience in the PRC sportswear industry. He has completed an EMBA programme offered by Peking University (北京大學) in January 2010. Mr. Wang is the sole director and sole shareholder of Jia Wei International Co., Ltd., a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Wu Ming Wai Louie (胡明偉), aged 61, joined the Group in August 2020 and is an independent non-executive Director. Mr. Wu has over 35 years of extensive experience in corporate finance, accounting, auditing, taxation, and financial management. He was awarded a professional diploma in Accountancy from The Hong Kong Polytechnic in 1986. He is the sole practitioner of Louie Wu & Co., a certified public accountants firm in Hong Kong since 1993. Mr. Wu is a fellow member of the Hong Kong Institute of Certified Public Accountants and fellow member of both the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Wu is also a Certified Tax Adviser in Hong Kong and the member of the Finance Committee of the Hong Kong Arts Centre, and the honorary auditors of both Anita Mui “True Heart” Charity Foundation and Hong Kong Federation of Drama Societies.

Mr. Hon Ping Cho Terence (韓炳祖), aged 62, joined the Group in May 2019 and is an independent non-executive Director. Mr. Hon has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He was awarded a master’s degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University in November 2004. He is currently an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Code: 00520), Daphne International Holdings Limited (Stock code: 00210) and SinoMab BioScience Limited (Stock code: 03681). He was an independent non-executive director of Jimu Group Limited (Stock Code: 08187) from December 2017 to May 2021. Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Chen Chuang (陳闌), aged 44, joined the Group in August 2019 and is an independent non-executive Director. Mr. Chen has over 15 years of experience in corporate strategy, large enterprises innovation, and internal innovation. He was awarded a bachelor’s degree and a master’s degree in Management from the Dalian University of Technology (大連理工大學). He also received his doctorate degree in Business Administration from Tsinghua University (清華大學). He is currently a professor of business management at the Master of Business Administration Education Center of the School of Management of Xiamen University (廈門大學管理學院工商管理教育中心). Mr. Chen is a committee member of Case Research Division of Chinese Society for Management Modernisation (中國管理現代化研究會案例研究專業委員會).

SENIOR MANAGEMENT

Mr. Chen Yongling Mophy (陳永靈), aged 48, joined the Group in August 2005 and serves as the vice president of the board of directors of the Group. He is primarily responsible for the strategy planning and capital operation of the Group. Mr. Chen is widely recognised as the outstanding party member of the Revolutionary Committee of the Chinese Kuomintang, and is also the director of Entrepreneur Union of Revolutionary Committee of the Chinese Kuomintang in Quanzhou, the member of the 12th and 13th Sessions of Quanzhou Committee of Chinese People’s Political Consultative Conference, and the standing director of Fujian Economic Association. Mr. Chen has developed expertise in corporate strategy, capital operation and new retail chain operation management. He is known for his ability in corporate financial management, corporate capital operation and new retail chain operation management, with extensive working experience in areas of finance, real estate, agriculture and national FMCG (Fast Moving Consumer Goods) retail chain industry. Mr. Chen holds qualifications for economics and accountant of the PRC, and is qualified as the International Certified Senior Accountant and National Secretary (second class). He is known for being honored as the talent for the China Strategic Talent Pool, Xiamen Government “550” Industrial Talent, Quanzhou and Jinjiang High-level Talent, Hong Kong Quality Talent and Jinjiang Outstanding Talent. With exceptional expertise in the fields of economy and finance, Mr. Chen has received several national awards, including “China’s Chief Accountant of the Year Award” and “Chinese Economist Award”.

Mr. Li Yuen Fai Roger (李苑輝), aged 61, is the chief financial officer, an authorised representative and the company secretary of the Group and is responsible for the overall financial management and company secretarial functions of the Group. He joined the Group as an independent non-executive director in July 2016 and changed to the current designation with effect from August 2020. Mr. Li has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institution of Hong Kong. He was a member of the 7th, 8th and 9th Member of People's Political and Consultative Congress of Heilongjiang Province in the People's Republic of China, and was appointed as the Economic Advisor of the Government of Chengde City of Hebei Province in the People's Republic of China in 1995.

Ms. Zhan Xiao Xiao (詹瀟瀟), aged 40, is the vice-president of investor relations and is primarily responsible for the Group's investor relations programme. She joined the Group in October 2015. Ms. Zhan has over 10 years of experience in corporate finance, investor relations, corporate governance and management from her previous positions in investment banking, communication advisory and Hong Kong listed company. She received her bachelor's degree from Peking University, majoring in international relations and double majoring in economics. She received her master's degree from the University of Pennsylvania in 2005, majoring in international political economy.

Mr. Zheng Yexin (鄭業欣), aged 48, joined the Group in May 2018 serving as the general manager of brand management center. He is primarily responsible for formulation and implementation of brand strategy and construction and management of brand system. Mr. Zheng received his bachelor's degree in arts from Shanxi University in 1997. He has over 20 years of experience in brand strategy, marketing promotion and innovation management, and has over 10 years of experience in serving various international 4A and local advertisement companies, where he provided marketing strategies and innovation services to numerous leading enterprises in the PRC and abroad. Prior to joining the Group, he worked in the brand management center of an industry leader in 2015 and was responsible for multi-product category strategy and promotion.

Mr. Geng Huajie (耿華杰), aged 38, is the general manager of the Kids business of the Group and is primarily responsible for the daily operation of the Kids business of the Group. He joined the Group in May 2016 and has over 15 years of experience in branding, sales, merchandising operation and business management. He graduated from Henan University of Economics and Law with a bachelor's degree in public service management in 2006. Prior to joining the Group, he had worked for children's sportswear industry leaders for many years.

Mr. Liu Yuan (劉源), aged 34, is the deputy general manager in the e-commerce center of the Group. He joined the Group in August 2020 and is primarily responsible for the e-commerce business of the Group such as online sales and market development. Mr. Liu received his master's degree in business administration from Yale University in the United States in 2016 and later worked for Alibaba where he was responsible for the operation of various industry segments. He has extensive management experience in the Internet industry and abundant experience in the e-commerce operation for brands.

Ms. Jin Yanli (金豔麗), aged 46, joined the Group in July 2019 serving as the general manager of the overseas business center. She is primarily responsible for the channel development, brand building and operating management in overseas markets. She has been serving as the general manager of the American branch concurrently since June 2021. Ms. Jin received her master's degree in interpreting and translation from University of Leeds in the UK in 2005 and MBA degree from Kedge Business School in Shanghai Jiao Tong University in 2009 respectively. Ms. Jin has worked in retail industry for over 15 years and accumulated extensive operating and management experiences in sports, apparel and accessories retail sectors.



DIRECTORS AND SENIOR MANAGEMENT

Mr. Saygin Emeksiz, aged 41, joined the Group in March 2021 serving as the general manager of a wholly-owned subsidiary in Europe. He is primarily responsible for the brand building, market development and operating management in the EMEA (Europe, Middle East, Africa) region. Mr. Saygin Emeksiz held senior management positions at various well-known sports and retail brands and has accumulated over 20 years of experience in sales, product, brand and business management.

Mr. Chen Jian Ci (陳建次), aged 51, is the vice president of supply chain management center and primarily responsible for overall planning in warehouse, logistics and network, integrating data stream and managing enterprise information system deployment of the Group. He has over 15 years of experience in information system related works and has worked in world renowned enterprises. He joined the Group in December 2011. Mr. Chen received his bachelor's degree in information management from Tamkang University (淡江大學) in Taiwan in 1995.

INDEPENDENT AUDITOR'S REPORT



MOORE

Moore Stephens CPA Limited

801-806 Silvercord, Tower 1,
30 Canton Road, Tsimshatsui,
Kowloon, Hong Kong

T +852 2375 3180
F +852 2375 3828

www.moore.hk

大
華
馬
施
雲
會
計
師
事
務
所
有
限
公
司

OPINION

We have audited the consolidated financial statements of 361 Degrees International Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 68 to 146, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition: Distributor arrangements (Refer to Notes 1(s) and 3 to the consolidated financial statements)

The Key Audit Matter

For the year ended 31 December 2021, the revenue of the Group amounted to approximately RMB5,933,482,000. Revenue of the Group mainly comprises sales of footwear, apparel and accessories through its network of distributors.

The Group sources, manufactures and sells its products based on purchase orders placed by the distributors during trade fairs held by the Group.

The Group enters into framework distribution agreements with its distributors every year. According to the terms of the distribution agreements, revenue is recognised when the goods are collected by the carrier companies from the Group's premises, which is the point when the control of the goods is considered to have been transferred to its distributors.

We have identified the recognition of revenue from sale of goods under the distribution arrangements as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk of manipulation of the timing of recognition of revenue by the management to meet specific targets or expectations.

How the matter was addressed in our audit

Our audit procedures to address the recognition of revenue from distribution arrangements included the following:

- assessing the design, implementation and operating effectiveness of management's key internal control and procedures for revenue recognition;
- inspecting all distribution agreements signed in the current year to understand the terms of sales transactions including the terms of delivery and acceptance and any discount or return arrangements to assess the Group's revenue recognition criteria with reference to the requirements of the prevailing accounting standards;
- for sales transactions during the reporting period, comparing, on a sample basis, details in the sales invoices to the relevant goods delivery notes, which were signed by the distributors, to assess if the related revenue, especially those recognised around the reporting period end had been recognised on the basis of the terms of sales as set out in the distribution agreements;
- identifying significant sales returns, if any, during the reporting period and after the financial year end and inspecting relevant underlying documentation to assess whether sales returns had been accounted for in the appropriate financial period;
- obtaining external confirmations of the outstanding trade receivable balances as at the end of reporting period directly from distributors, on a sample basis. Where the distributors did not return the requested confirmations, inspecting the sales invoices and related goods delivery notes signed by the distributors indicating the distributors' acknowledgement of delivery of the goods sold during the reporting period; and
- inspecting significant manual adjustments, if any, to revenue during the reporting period, enquiring of management the reasons for such adjustments and comparing the details of the adjustments to relevant underlying documentation.

Expected credit loss assessment of trade receivables (Refer to Notes 1(h), 2(ii), 16 and 26(a) to the consolidated financial statements)

The Key Audit Matter

As at 31 December 2021, the gross trade receivables of the Group amounted to approximately RMB2,659,472,000 and of its related allowance for expected credit loss amounted to approximately RMB132,417,000.

The management of the Company performed periodic assessment on the recoverability of the trade receivables and the sufficiency of the allowance for expected credit loss. The management of the Company estimated the expected credit loss allowance based on provision matrix through grouping of various customers that have similar loss patterns, after considering the credit profile of respective customers, ageing analysis, historical settlement records, subsequent settlement status and on-going trading relationships with the relevant customers. The management of the Company also considered the forward-looking information that may impact the customers' ability to repay the outstanding balances as to estimate the expected credit loss allowance.

We have identified the management's assessment of the recoverability of the trade receivables and estimation of expected credit loss allowance as a key audit matter because the amounts involved were significant and the assessment required significant management judgement and estimation uncertainty.

How the matter was addressed in our audit

Our audit procedures to address the expected credit loss assessment of trade receivables included the following:

- obtaining an understanding of the Group's key internal controls and assessment process of the estimation of expected credit loss allowance for trade receivables and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;
- evaluating and validating the key internal controls over the estimation of expected credit loss allowance for trade receivables;
- obtaining and testing the ageing analysis of the trade receivables, on a sample basis, to the underlying financial records and post year-end settlements to bank receipts and discussing with the management of the Company about their evaluation of the background and financial capability of the debtors and their credit assessment that the amounts were recoverable;
- inquiring the management of the Company for the status of each of the material trade receivables past due as at the year ended and corroborating explanation from the management with supporting evidence, such as understanding on-going business relationship with the customers based on the trade records, checking historical and subsequent settlement status of and other correspondence with the customers;
- assessing the appropriateness of the expected credit loss provisioning methodology including the identification of credit-impaired trade receivables, the reasonableness of the grouping of trade receivables in the provision matrix and the accuracy of roll rates applied on each time band and the estimated loss rates adopted;
- examining the key data inputs to assess their accuracy and completeness and challenge the assumptions including both historical and forward-looking information especially the market data with particular focus on the impact of the pandemic, used in determination of the expected credit loss allowance with our internal valuation specialists; and
- assessing the adequacy of the disclosures related to expected credit loss allowance of trade receivables in the context of HKFRSs in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
 Practising Certificate Number: P05419

Hong Kong, 23 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3	5,933,482	5,126,958
Cost of sales		(3,461,062)	(3,185,225)
Gross profit		2,472,420	1,941,733
Other revenue	4	354,118	278,953
Other net (loss)/gain	4	(2,850)	46,274
Selling and distribution expenses		(1,140,051)	(963,725)
Administrative expenses		(558,401)	(441,089)
Provision for expected credit losses allowance on trade receivables	26(a)	(42,114)	(39,456)
Profit from operations		1,083,122	822,690
(Loss)/Gain on repurchase of senior unsecured notes	21	(1,228)	46,199
Finance costs	5(a)	(36,818)	(167,336)
Profit before income tax	5	1,045,076	701,553
Income tax expense	6	(302,871)	(206,235)
Profit for the year		742,205	495,318
Attributable to:			
Equity shareholders of the Company		601,700	415,065
Non-controlling interests		140,505	80,253
Profit for the year		742,205	495,318
Earnings per share	10		
Basic and diluted (RMB cents)		29.1	20.1

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		742,205	495,318
Other comprehensive income for the year, net of income tax	9		
Item that will not be reclassified to profit or loss:			
Equity investments designated at fair value through other comprehensive income (non-recycling)			
– net movement in fair value reserve		7,260	(5,784)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		14,110	95,307
Total comprehensive income for the year, net of income tax		763,575	584,841
Attributable to:			
Equity shareholders of the Company		623,070	504,588
Non-controlling interests		140,505	80,253
Total comprehensive income for the year		763,575	584,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	11	822,547	882,881
Right-of-use assets	12	105,262	109,767
		927,809	992,648
Other financial asset	14	26,729	18,188
Deposits and prepayments	16	102,344	88,890
Deferred tax assets	23	97,778	81,749
		1,154,660	1,181,475
Current assets			
Inventories	15	890,937	762,567
Trade receivables	16	2,527,055	2,184,190
Bills receivable	16	72,683	73,254
Deposits, prepayments and other receivables	16	1,201,471	906,117
Pledged bank deposits	17	52,170	62,628
Deposits with banks	17	2,000,000	3,000,000
Cash and cash equivalents	17	3,339,010	3,451,331
		10,083,326	10,440,087
Current liabilities			
Trade and other payables	18	2,091,625	1,756,055
Lease liabilities	19	391	2,156
Bank loans	20	207,837	210,222
Interest-bearing borrowings	21	–	1,726,570
Current taxation		368,176	346,214
		2,668,029	4,041,217
Net current assets		7,415,297	6,398,870

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Total assets less current liabilities		8,569,957	7,580,345
Non-current liabilities			
Lease liabilities	19	644	73
Deferred tax liabilities	23	13,672	14,281
		14,316	14,354
Net assets		8,555,641	7,565,991
Capital and reserves			
Share capital	24(c)	182,298	182,298
Reserves	24(d)	6,934,467	6,426,615
Total equity attributable to equity shareholders of the Company		7,116,765	6,608,913
Non-controlling interests	29	1,438,876	957,078
Total equity		8,555,641	7,565,991

The consolidated financial statements on pages 68 to 146 were approved and authorised for issue by the board of directors on and are signed on its behalf by:

Ding Wuhao
Director

Ding Huihuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

Attributable to equity shareholders of the Company										
	Share capital (Note 24(c)) RMB'000	Other reserves (Note 24(d)(i)) RMB'000	Statutory reserve (Note 24(d)(ii)) RMB'000	Exchange reserve (Note 24(d)(iii)) RMB'000	Fair value reserve (non-recycling) (Note 24(d)(iv)) RMB'000	Share Option reserve (Note 24(d)(v)) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Notes										
Balance at 1 January 2020	182,298	418,491	805,295	(143,998)	15,495	-	5,044,924	6,322,505	336,509	6,659,014
Profit for the year	-	-	-	-	-	-	415,065	415,065	80,253	495,318
Other comprehensive income	-	-	-	95,307	(5,784)	-	-	89,523	-	89,523
Total comprehensive income for the year	-	-	-	95,307	(5,784)	-	415,065	504,588	80,253	584,841
Capital injection by non-controlling interests of subsidiaries 13(v)	-	(190,376)	-	-	-	-	-	(190,376)	540,316	349,940
Appropriation to statutory reserve	-	-	31,415	-	-	-	(31,415)	-	-	-
Dividends declared and paid during the year 24(b)	-	-	-	-	-	-	(27,804)	(27,804)	-	(27,804)
Balance at 31 December 2020 and 1 January 2021	182,298	228,115	836,710	(48,691)	9,711	-	5,400,770	6,608,913	957,078	7,565,991
Profit for the year	-	-	-	-	-	-	601,700	601,700	140,505	742,205
Other comprehensive income	-	-	-	14,110	7,260	-	-	21,370	-	21,370
Total comprehensive income for the year	-	-	-	14,110	7,260	-	601,700	623,070	140,505	763,575
Capital injection by non-controlling interests of subsidiaries 13(v)	-	(141,343)	-	-	-	-	-	(141,343)	341,293	199,950
Appropriation to statutory reserve	-	-	107,415	-	-	-	(107,415)	-	-	-
Equity-settled share option expense 31	-	-	-	-	-	26,125	-	26,125	-	26,125
Balance at 31 December 2021	182,298	86,772	944,125	(26,754)	16,971	26,125	5,887,228	7,116,765	1,438,876	8,555,641

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before income tax		1,045,076	701,553
Adjustments for:			
Depreciation of property, plant and equipment	5(c)	68,568	76,847
Depreciation of right-of-use assets	5(c)	4,970	6,332
Effect of foreign exchange rates changes		6,968	(44,688)
Finance costs	5(a)	36,818	167,336
Equity-settled share option expense	31	26,125	–
Loss/(Gain) on repurchase of senior unsecured notes	21	1,228	(46,199)
Loss/(Gain) on lease termination	4	82	(19)
Provision for expected credit loss allowance of trade receivables	5(c)	42,114	39,456
Interest income	4	(81,359)	(106,264)
Net loss/(gain) on disposal of property, plant and equipment	4	641	(11)
(Reversal of)/Provision for impairment of inventories	5(c)	(9,664)	11,083
Written off of trade receivable		145	–
Changes in working capital:			
Inventories		(119,517)	390,828
Trade receivables		(385,452)	(150,431)
Bills receivable		571	51,324
Deposits, prepayments and other receivables		(296,084)	(249,725)
Trade and other payables		318,824	(550,531)
Current account with non-controlling interests		10,726	–
Cash generated from operations		670,780	296,891
People's Republic of China income tax paid		(298,828)	(274,053)
Net cash generated from operating activities		371,952	22,838
Investing activities			
Payment for the purchase of property, plant and equipment		(8,982)	(7,413)
Deposits paid for the purchase of land use rights		(617)	(2,174)
Proceeds from disposal of property, plant and equipment		341	374
Decrease in pledged bank deposits		10,458	168,047
Placements of fixed deposits held at banks with maturity over three months		(2,000,000)	(3,000,000)
Uplift of fixed deposits held at banks with maturity over three months		3,000,000	3,000,000
Decrease in amount due from non-controlling interests		6,290	(6,290)
Interest received		67,827	100,480
Net cash generated from investing activities		1,075,317	253,024

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Financing activities			
Payment for repurchase of senior unsecured notes	17	(967,326)	(504,452)
Redemption of senior unsecured notes	17	(752,005)	–
Principal element of lease rentals paid	17	(1,793)	(3,413)
Interest element of lease rentals paid	17	(56)	(172)
Proceeds from bank loans	17	100,000	200,948
Proceeds from investor for capital injection in a subsidiary	13	199,950	349,940
Repayment of bank loans	17	(102,156)	(101,270)
Increase in amount due to non-controlling interests	17	710	–
Interest paid	17	(35,544)	(156,403)
Dividends paid	24(b)	–	(27,804)
Net cash used in financing activities		(1,558,220)	(242,626)
Net (decrease)/increase in cash and cash equivalents		(110,951)	33,236
Cash and cash equivalents at 1 January		3,451,331	3,422,295
Effect of foreign exchange rate changes		(1,370)	(4,200)
Cash and cash equivalents at 31 December	17	3,339,010	3,451,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial adoption of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

(b) Basis of preparation

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands (the “BVI”) and Hong Kong have their functional currency in Hong Kong dollars (“HK\$”) and subsidiaries established in the People’s Republic of China (the “PRC”) have their functional currency in Renminbi (“RMB”). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group’s consolidated financial statements. All financial information presented is rounded to the nearest thousand except otherwise stated. The measurement basis used in the preparation of the consolidated financial statements is the historical costs basis except for equity investments designated as at fair value through other comprehensive income (“FVOCI”) as explained in Notes 1(e), 14 and 26(g)(i).

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the adoption of HKFRSs that have significant effect on these consolidated financial statements and major sources of estimation uncertainty are discussed in Note 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Change in accounting policies

The significant account policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2020, except for the adoption of the amendments to HKFRSs as explained in below.

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group.

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2

The adoption of these amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements

The Group has not adopted any new or amendments to HKFRSs that is not yet effective for the current accounting period (Note 32).

(d) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2021 comprise 361 Degrees International Limited (the "Company") and its subsidiaries (together referred to as the "Group").

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

The financial statements of subsidiaries are prepared for the same period as the Company, using consistent accounting policies. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(m) or (n) depending on the nature of the liability.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in above.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, investments in subsidiaries is stated at cost less impairment losses (see Note 1(h)(ii)), unless the investment is classified as held for sale.

Business combination

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the acquirer elects not to apply the test, the Group shall then perform the assessment to determine if the inputs and substantive process that together significantly contribute to the ability to create output are present to determine whether the set of activities and assets is a business.

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(g)(i).

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(s)(v).

(f) Property, plant and equipment

Property, plant and equipment (excluding construction in progress) are stated at cost less accumulated depreciation and impairment losses (see Note 1(h)(ii)).

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item and the cost of such item can be measured reliably, the expenditure is capitalised as an additional cost of the item.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 1(u)).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
- Plant and machinery 5 – 10 years
- Office equipment and other fixed assets 2 – 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Construction in progress represented the operating and accounting systems under construction and is stated at cost less accumulated impairment losses. Cost includes the costs of construction of system, installation, testing and other direct costs. No reclassification to the appropriate category of property, plant and equipment and provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

(g) Leases when the Group is a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases when the Group is a lessee (Continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of laptops and office furniture that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 1(h)(ii)) and adjusted for any remeasurement of the lease liabilities (other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient).

The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases when the Group is a lessee (Continued)

Lease liabilities (Continued)

The lease payments included in the measurement of the lease liability comprise the following payments during the lease term:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases when the Group is a lessee (Continued)

Lease modifications (Continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way as if the changes are not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets measured at amortised cost (including cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with original maturity over three months, and trade, bills and other receivables);

Financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(h) Credit losses and impairment of assets (Continued)****(i) Credit losses from financial instruments (Continued)***Measurement of ECLs (Continued)*

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed-rate financial assets, trade, bills and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade and bills receivables, the Group has measured the loss allowance at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For other financial assets (including deposits and other receivables, cash and cash equivalents, pledged bank deposits, fixed deposits held at banks with original maturity over three months), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the end of reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 1(s)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- right-of-use assets;
- investments in subsidiaries in the Company's statement of financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Credit losses and impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Inventories (Continued)

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see Note 1(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 1(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 1(s)(ii)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional only if the passage of time is required before payment of that consideration is due. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(h)(i)).

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to be recognised in the consolidated statement of financial position.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 1(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Bank loans and interest-bearing borrowings

Bank loans and interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, bank loans and interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(u)).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group participates in defined contribution retirement benefit schemes for those employees who are eligible to participate. Contributions are charged to profit or loss as they are paid/become payable in accordance with the rules of the scheme, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified in relevant rules and regulations in the PRC. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

(p) Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the directors of the Company) and other eligible participants.

The employee services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the share options granted. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

For the services received from the parties other than employees, there shall be a rebuttable presumption that the fair value of the services received can be estimated reliably. The fair value shall be measured at the date the counterparties render service. In rare cases, if the entity rebuts this presumption because it cannot estimate reliably the fair value of the goods or services received, the entity shall measure the goods or services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the share option granted, measured at the date the entity obtains the goods or the counterparty renders service.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Share-based payments (Continued)

All services received in exchange for the grant of share options is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in “Share-based payment reserve” within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share-based payment reserve and the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(s) Revenue and other income**

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Consideration payable to a customer

Consideration payable to a customer includes cash amounts or other items that the Group pays, or expects to pay, to the customer. The Group shall account for consideration payable to a customer as a reduction of the transaction price, and therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. The Group shall recognise the reduction of revenue when (or as) the later of either of the following events occurs:

- the Group recognises revenue for the transfer of the related goods or services to the customer; and
- the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the control of the sporting goods is considered to have been transferred to the customer.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(h)(i)).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue and other income (Continued)

Consideration payable to a customer (Continued)

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as “other revenue” in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(iv) Commission income

Commission income represents service income by providing e-commerce platforms for distributors which is calculated based on online sales amount. Such income are recognised at a point in time when the services are rendered which is generally the time when the ultimate customers had received the goods.

(v) Dividends

Dividend income from unlisted investments is recognised in profit or loss when the shareholder's right to receive payment is established.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of subsidiaries with functional currency other than RMB are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a subsidiary with functional currency other than RMB, the cumulative amount of the exchange differences relating to that subsidiary is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs (Continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Research and development and advertising

Expenditure on research and development is recognised as an expense in the period in which it is incurred. Expenditure on advertising are recognised as an expense in the period in which the relevant services have been rendered to the Group over the period covered by the agreement.

(w) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and profit from operations of the Group are mainly derived from activities in the PRC.

2. ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Note 26 contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation/amortisation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Impairment losses on financial assets

The Group estimates the ECL allowances for trade receivables, deposits and other receivables which requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the counterparties, and an assessment of both the current and forecast general economic conditions at the end of reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of the financial assets and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the ECL of the financial assets during their respective expected lives.

2. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Sources of estimation uncertainty (Continued)

(iii) Other impairment losses

If circumstances indicate that carrying value of investments in subsidiaries (Note 13), property, plant and equipment (Note 11), right-of-use assets (Note 12) and other non-financial assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognised in accordance with HKAS 36 Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to revenue and amount of operating costs and discount rate.

(iv) Fair value of share option

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

The Group considers that the equity-settled transactions with the employees of distributors not only regarded as the sales incentive to achieve a higher sale targets but also promotion of the corporate and brand image. As such, the Group rebuts the presumption that the fair value of services received from the parties other than employee (i.e. the employees of distributors) can be estimated reliably and measures the cost of equity-settled transactions with the employees of distributors by reference to the fair value of the equity instruments.

Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 31.

(v) Net realisable value of inventories

The Group recognises write-down on inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

(vi) Income tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are manufacturing and trading of sporting goods, including footwear, apparel, accessories and others in the PRC. Revenue represents the sales value of goods sold less returns, discounts and value added taxes and other sales taxes.

During the year ended 31 December 2021, the Group granted 45,200,000 share options to certain employees of distributors. As mentioned in Note 31, the fair value of the share options are expensed over the vesting period and the fair value of the share options granted recognised as a deduction of revenue for the year ended 31 December 2021 amounted to approximately RMB15,084,000 (Note 31). The revenue amount disclosed below shows the Group's revenue after deducting the fair value of share options granted to certain employees of the Group's distributors recognised for the year ended 31 December 2021.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 RMB'000	2020 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Footwear	2,948,049	2,421,426
– Apparel	2,819,927	2,578,524
– Accessories	86,821	68,289
– Others	78,685	58,719
	5,933,482	5,126,958

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 3(b)(i).

The Group's customer base is diversified and has one (2020: one) customer with whom transactions have exceeded 10% of the Group's revenue. During the year ended 31 December 2021, sales of footwear, apparel, accessories and others in both reportable segments (Note 3(b)) to the one (2020: one) customer, including sales to entities under its common control (2020: same), as known to the Group, were approximately RMB614,862,000 (2020: approximately RMB618,461,000). Details of concentrations of credit risk arising from these customers are set out in Note 26(a). During the year ended 31 December 2021, the Group has granted 12,480,000 share options to the employees of this customer as the sales incentive, the amount of approximately RMB4,165,000 is accounted for as reduction of the relevant revenue generated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Adults: this segment derives revenue from manufacturing and trading of adults sporting goods.
- Kids: this segment derives revenue from trading of kids sporting goods.

The Group's revenue and results were primarily derived from sales in the PRC and the principal assets employed by the Group were located in the PRC during the year. Accordingly, no analysis by geographical segments has been provided for the year. In addition, no information on segment assets and liabilities was prepared for review by the Group's most senior executive management for the year for the purpose of resource allocation and performance assessment.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is set out below.

	Adults		Kids		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Disaggregated by timing of revenue recognition						
Point in time	4,826,643	4,194,628	1,106,839	932,330	5,933,482	5,126,958
Revenue from external customers	4,826,643	4,194,628	1,106,839	932,330	5,933,482	5,126,958
Inter-segment revenue	28,414	54,205	–	–	28,414	54,205
Reportable segment revenue	4,855,057	4,248,833	1,106,839	932,330	5,961,896	5,181,163
Cost of sales	(2,838,136)	(2,689,463)	(650,800)	(549,950)	(3,488,936)	(3,239,413)
Reportable segment profit (gross profit)	2,016,921	1,559,370	456,039	382,380	2,472,960	1,941,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues and profit before income tax

	2021 RMB'000	2020 RMB'000
Revenue		
Reportable segment revenue	5,961,896	5,181,163
Elimination of inter-segment revenue	(28,414)	(54,205)
Consolidated revenue (<i>Note 3(a)</i>)	5,933,482	5,126,958
Profit before income tax		
Reportable segment profit	2,472,960	1,941,750
Elimination of inter-segment profits	(540)	(17)
Reportable segment profit derived from the Group's external customers	2,472,420	1,941,733
Other revenue	354,118	278,953
Other net (loss)/gain	(2,850)	46,274
Selling and distribution expenses	(1,140,051)	(963,725)
Administrative expenses	(558,401)	(441,089)
Provision for credit loss allowance on trade receivables	(42,114)	(39,456)
(Loss)/Gain on repurchase of senior unsecured notes	(1,228)	46,199
Finance costs	(36,818)	(167,336)
Profit before income tax	1,045,076	701,553

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. OTHER REVENUE AND NET (LOSS)/GAIN

	2021 RMB'000	2020 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	81,359	106,264
Government grants (<i>Note (a)</i>)	182,275	113,045
Commission income (<i>Note (b)</i>)	58,140	55,799
Others	32,344	3,845
	354,118	278,953
Other net (loss)/gain		
Net (loss)/gain on disposal of property, plant and equipment	(641)	11
Net foreign exchange (loss)/gain	(2,127)	46,244
(Loss)/Gain on lease termination	(82)	19
	(2,850)	46,274

Notes:

- (a) Government grants were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.
- (b) Commission income represented the service income by providing e-commerce platforms for the Group's distributors, which is calculated at certain percentage of the online sales amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
(a) Finance costs		
Interest on lease liabilities (<i>Note 19</i>)	56	172
Interest on bank loans	9,668	7,548
Finance charges on senior unsecured note	27,094	159,616
Total interest expense on financial liabilities not carried at fair value through profit or loss	36,818	167,336
(b) Staff costs (including directors' emoluments (<i>Note 7</i>))		
Contributions to defined contribution retirement plans	28,802	20,310
Equity settled share-based payment (<i>Note 31</i>)	11,041	–
Salaries, wages and other benefits	616,566	481,922
	656,409	502,232
(c) Other items		
Auditor's remuneration		
– audit services	2,879	2,740
– non-audit services	216	222
Depreciation of property, plant and equipment (<i>Note 11</i>)	68,568	76,847
Depreciation of right-of-use assets (<i>Note 12</i>)	4,970	6,332
Equity settled share-based payment (<i>Note 31</i>)		
– staff cost (<i>Note 5(b)</i>)	11,041	–
– sales incentives to customers (included in revenue) (<i>Note 3(a)</i>)	15,084	–
Provision for expected credit loss allowance of trade receivables (<i>Note 26(a)</i>)	42,114	39,456
Written off of trade receivables	145	–
(Reversal of)/Provision for impairment of inventories (<i>Note 15(b)</i>)		
included in cost of inventories	(9,664)	11,083
Expense relating to short-term leases (<i>Note 12</i>)	4,880	4,288
Research and development costs *	246,936	204,528
Cost of inventories **	3,461,062	3,185,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. PROFIT BEFORE INCOME TAX (Continued)

Notes:

- * Research and development costs include the materials cost of approximately RMB105,290,000 (2020: RMB148,464,000) and RMB86,567,000 (2020: RMB36,908,000) relating to staff costs of employees in the research and development department and depreciation, which amounts are also included in the total staff costs as disclosed in Note 5(b) or the respective total amounts disclosed separately above. Research and development costs included in administrative expenses in the consolidated statement of profit or loss.
- ** Cost of inventories include RMB325,175,000 (2020: RMB259,997,000) relating to staff costs and depreciation, which amounts are also included in the total staff costs as disclosed in Note 5(b) or the respective total amounts disclosed separately above for each of these types of expenses.

No forfeited contributions available for offset against existing contributions during the year (2020: Nil).

6. INCOME TAX EXPENSE IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax expense in the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current tax – PRC		
Enterprise Income Tax	258,597	203,838
Withholding tax	62,193	27,535
	320,790	231,373
Deferred tax		
Origination and reversal of temporary differences (Note 23)	(17,919)	(25,138)
	(17,919)	(25,138)
	302,871	206,235

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. INCOME TAX EXPENSE IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

(a) Income tax expense in the consolidated statement of profit or loss represents: (Continued)

No provision has been made for Profits Tax in Hong Kong, Brazil, USA and the Netherlands as the Group did not have any assessable profits subject to Profits Tax in Hong Kong, Brazil, USA and Europe during the year (2020: Nil).

All PRC subsidiaries are subject to income tax at 25% (2020: 25%) for the year under the Enterprise Income Tax law ("EIT law"), except for one of the subsidiaries of the Company operating in the PRC which was approved to be high and new technology enterprises ("HNTE"). HNTE is entitled to enjoy a reduced enterprise income tax rate of 15% and additional 75% tax reduction based on the eligible research and development expenses with a validity period of three years from 30 November 2018 to 29 November 2021 and the validity period has been extended from 30 November 2021 to 29 November 2024.

Pursuant to the EIT law, 10% withholding tax is levied on the foreign investor, (foreign investors which are registered in Hong Kong and meet certain requirements specified in the relevant tax regulations in the PRC may be entitled to a preferential 5% rate), in respect of dividend distributions arising from profit earned by a foreign investment enterprise in the PRC after 1 January 2008.

(b) Reconciliation between income tax expense and profit before income tax at applicable tax rates:

	2021 RMB'000	2020 RMB'000
Profit before income tax	1,045,076	701,553
Notional tax on profit before income tax, calculated at the rates applicable to profits in the jurisdictions concerned	256,290	184,099
Tax effect of non-deductible expenses	4,422	15,794
Tax effect of non-taxable income	(3,192)	(2,712)
Utilisation of unused tax losses not recognised	(16,842)	(18,481)
Withholding tax on dividends	62,193	27,535
Income tax expense	302,871	206,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021				
Executive directors				
Ding Wuhao	–	1,307	15	1,322
Ding Huihuang	–	1,065	15	1,080
Ding Huirong	–	1,069	15	1,084
Wang Jiabi	–	588	15	603
Independent non-executive directors				
Hon Ping Cho Terence	348	–	–	348
Chen Chuang	348	–	–	348
Wu Ming Wai Louie (Note (i))	464	–	–	464
	1,160	4,029	60	5,249

For the year ended 31 December 2020

Executive directors

Ding Wuhao	–	1,035	12	1,047
Ding Huihuang	–	854	12	866
Ding Huirong	–	907	12	919
Wang Jiabi	–	434	12	446

Independent non-executive directors

Hon Ping Cho Terence	373	–	–	373
Chen Chuang	373	–	–	373
Wu Ming Wai Louie (Note (i))	203	–	–	203
Li Yuen Fai Roger (Note (ii))	294	–	–	294
	1,243	3,230	48	4,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. DIRECTORS' EMOLUMENTS (Continued)

Notes:

- (i) Mr. Wu Ming Wai Louie has been appointed as an independent non-executive director of the Company with effect from 4 August 2020.
- (ii) Mr. Li Yuan Fai Roger resigned as an independent non-executive director of the Company with effect from 4 August 2020. On the same day, he has been appointed as the company secretary and chief financial officer.

Fees, salaries, allowances and benefits in kind paid to or for the executive directors of the Company are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

No emolument was paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil). No arrangement under which directors of the Company waived or agreed to waive any emoluments during the year (2020: Nil).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

No directors of the Company are the five individuals with the highest emoluments. The aggregate of the emoluments in respect of the five (2020: five) individuals with the highest emoluments are as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other emoluments	9,433	9,499
Equity settled share-based payments	1,491	–
Retirement scheme contributions	36	182
	10,960	9,681

The emoluments of the five (2020: five) individuals with the highest emoluments are within the following bands:

	2021 Number of individuals	2020 Number of individuals
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	4	3
HK\$2,500,001 to HK\$3,000,000	1	1

No emolument was paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2021			2020		
	Before-tax amount RMB'000	Tax charge (note 23) RMB'000	Net-of-tax amount RMB'000	Before-tax amount RMB'000	Tax credit (Note 23) RMB'000	Net-of-tax amount RMB'000
Equity investments designated at FVOCI (non-recycling) – net movement in fair value reserve	8,541	(1,281)	7,260	(6,804)	1,020	(5,784)
Exchange differences on translation of financial statements	14,110	–	14,110	95,307	–	95,307
Other comprehensive income	22,651	(1,281)	21,370	88,503	1,020	89,523

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB601,700,000 (2020: RMB415,065,000) and the weighted average of 2,067,602,000 (2020: 2,067,602,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential shares comprise shares to be issued under share option scheme. In relation to shares to be issued under share option scheme (Note 31), a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 2021, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic earnings per share as the exercise price of the options exceeds the average market price of ordinary shares of the Company.

For the year ended 31 December 2020, diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential shares outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	Buildings situated on leasehold land classified as right-of-use Assets (note 12) RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2020	1,216,629	259,440	239,416	34,723	29,800	1,780,008
Exchange realignment	(3,315)	–	(187)	–	–	(3,502)
Additions	7	5,085	1,835	486	–	7,413
Disposals	(8)	(297)	(1,647)	(372)	–	(2,324)
At 31 December 2020	1,213,313	264,228	239,417	34,837	29,800	1,781,595
Accumulated depreciation and amortisation:						
At 1 January 2020	426,358	181,364	187,800	29,122	–	824,644
Exchange realignment	(67)	–	(749)	–	–	(816)
Charge for the year (Note 5(c))	53,899	16,305	5,945	698	–	76,847
Written back on disposals	(7)	(267)	(1,352)	(335)	–	(1,961)
At 31 December 2020	480,183	197,402	191,644	29,485	–	898,714
Net book value:						
At 31 December 2020	733,130	66,826	47,773	5,352	29,800	882,881

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT AND INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES (Continued)

	Buildings situated on leasehold land classified as right-of-use Assets (note 12) RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2021	1,213,313	264,228	239,417	34,837	29,800	1,781,595
Exchange realignment	(1,258)	–	(188)	–	–	(1,446)
Additions	199	8,855	308	873	–	10,235
Disposals	–	(4,980)	(290)	(58)	–	(5,328)
At 31 December 2021	1,212,254	268,103	239,247	35,652	29,800	1,785,056
Accumulated depreciation and amortisation:						
At 1 January 2021	480,183	197,402	191,644	29,485	–	898,714
Exchange realignment	(241)	–	(186)	–	–	(427)
Charge for the year (Note 5(c))	49,421	10,272	8,276	599	–	68,568
Written back on disposals	–	(4,003)	(290)	(53)	–	(4,346)
At 31 December 2021	529,363	203,671	199,444	30,031	–	962,509
Net book value:						
At 31 December 2021	682,891	64,432	39,803	5,621	29,800	822,547

As at 31 December 2021, a building located in Hong Kong with net book value of approximately RMB38,796,000(2020: RMB39,826,000) was pledged as security for the Group's banking facility for issuing bills payable and bank borrowings (Note 20).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2020	8,389	113,327	121,716
Exchange realignment	61	–	61
Additions	3,348	–	3,348
Termination of lease	(4,275)	–	(4,275)
At 31 December 2020 and 1 January 2021	7,523	113,327	120,850
Exchange realignment	245	–	245
Additions	1,048	–	1,048
Termination of lease	(1,773)	–	(1,773)
At 31 December 2021	7,043	113,327	120,370
Accumulated depreciation:			
At 1 January 2020	5,018	2,959	7,977
Exchange realignment	34	–	34
Charge for the year (<i>Note 5 (c)</i>)	3,322	3,010	6,332
Written back on termination of lease	(3,260)	–	(3,260)
At 31 December 2020 and 1 January 2021	5,114	5,969	11,083
Exchange realignment	152	–	152
Charge for the year (<i>Note 5 (c)</i>)	1,960	3,010	4,970
Written back on termination of lease	(1,097)	–	(1,097)
At 31 December 2021	6,129	8,979	15,108
Net book value:			
At 31 December 2021	914	104,348	105,262
At 31 December 2020	2,409	107,358	109,767

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. RIGHT-OF-USE ASSETS (Continued)

The analysis of expense items in relation to leases recognised in the consolidated profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Depreciation expense of right-of-use assets (as above) (Note 5(c))	4,970	6,332
Interest on lease liabilities (Note 19)	56	172
Loss/(Gain) on lease termination (Note 4)	82	(19)
Expense relating to short-term leases/and other leases with remaining lease term ending on or before 31 December 2021 (Note 5(c))	4,880	4,288
Total amount recognised in the consolidated profit or loss	9,988	10,773

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19 and 26(b), respectively.

Ownership interests in leasehold land held for own use

The Group holds several leasehold land for its business, where its manufacturing facilities are primarily located. Lump sum payments were made upfront to acquire these land interests, and there are no ongoing payments to be made under the terms of the land lease.

Other properties leased for own use

The Group has obtained the right to use other properties as its office through tenancy agreements. The leases typically run for an initial period of one to three years (2020: one to eight years). Lease payments are usually increased every year to reflect market rentals. None of the leases include contingent rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. INVESTMENTS IN SUBSIDIARIES

Particulars of the Group's subsidiaries are set out as below. The class of shares held is ordinary unless otherwise stated.

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sanliuyidu Holdings Company Limited	BVI	100 shares of United States dollar ("US\$") 1 each	100% (2020: 100%)	100% (2020: 100%)	–	Investment holding
361 Enterprise Company Limited	Hong Kong	1 share	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
361 Investment Company Limited	Hong Kong	1 share	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
361 Degrees (Hong Kong) Investment Limited	Hong Kong	1 share	87% (2020: 87%)	–	100% (2020: 100%)	Investment holding
Sanliuyidu (Fujian) Sports Goods Co., Ltd. 三六一度(福建)體育用品有限公司 (Notes (i) and (iv))	PRC	HK\$280,000,000	100% (2020: 100%)	–	100% (2020: 100%)	Manufacture and trading of sporting goods
Sanliuyidu (China) Co., Ltd. 三六一度(中國) 有限公司 (Notes (i) and (iv))	PRC	HK\$106,835,969,272 (2020: HK\$560,000,000)	100% (2020: 100%)	–	100% (2020: 100%)	Manufacture and trading of sporting goods
Sanliuyidu Xiamen Industry & Trade Co., Limited 三六一度(廈門)工貿有限公司 (Notes (ii) and (iv))	PRC	RMB100,000,000	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
Sanliuyidu (Fujian) Shoes and Plastics Technology Co., Ltd. 三六一度(福建)鞋塑科技有限公司 (Notes (iii) and (iv))	PRC	HK\$120,000,000	51% (2020: 51%)	–	51% (2020: 51%)	Manufacture and trading of shoes soles
361 Degrees Children's Clothing Co., Ltd. 三六一度童裝有限公司 (Notes (i) and (iv))	PRC	HK\$80,000,000	87% (2020: 87%)	–	100% (2020: 100%)	Trading of children sporting goods
Yue Lei International Limited 宇彌國際有限公司	Hong Kong	100,000 shares	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
361 Degrees Kids Wear Holdings Limited	BVI	1 share of US\$1	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
361 Degrees Kids Wear Limited	Cayman Islands	1,000,000 shares of HK\$0.01 each	87% (2020: 87%)	–	87% (2020: 87%)	Investment holding
361 Degrees Kids Wear Investment Limited	BVI	1 share of US\$1	87% (2020: 87%)	–	100% (2020: 100%)	Investment holding
One Way International Enterprise Limited 萬唯國際實業有限公司	Hong Kong	10,000 shares	70% (2020: 70%)	–	70% (2020: 70%)	Investment holding
Zhonglan Sports Goods Co., Ltd. 中蘭體育用品有限公司 (Notes (i) and (iv))	PRC	RMB49,910,463	70% (2020: 70%)	–	100% (2020: 100%)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Wangwei (Xiamen) Industry & Trade Co., Limited 望唯(廈門)工貿有限公司 (Notes (ii) and (iv))	PRC	RMB5,000,000	70% (2020: 70%)	–	100% (2020: 100%)	Trading of sporting goods
361 USA, Inc	United States	US\$19	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
Yue Lei do Brasil Comércio, Importação e Exportação de Artigos Esportivos Ltda	Brazil	62,310,627 shares of Brazilian Real 1 each	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
Quanzhou Jinjiang Jiangtuo Minhai Gas Station Ltd. 泉州晉江江頭閩海加油站有限公司 (Notes (ii) and (iv))	PRC	RMB25,100,000	51% (2020: 51%)	–	51% (2020: 51%)	Operating of gas station
Duoyidu (Quanzhou) E-commerce Co., Ltd. ("Duoyidu") 多一度(泉州)電子商務有限公司 (Notes (ii), (iv) and (v))	PRC	RMB4,676,829 (2020: RMB4,067,073)	69% (2020: 72%)	–	87% (2020: 85%)	Distribution and sales of the Group's 361° products via the e-commerce platform
361° Europe Holding B.V.	Netherlands	Euro 100	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
361° Europe B.V.	Netherlands	Euro 100	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
Sanliuyidu (Xiamen) Investment Management Consulting Co., Ltd. 三六一度(廈門)投資管理諮詢有限公司 (Notes (ii) and (iv))	PRC	RMB1,000,000	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
Quanzhou Shenghong Trading Co., Ltd. 泉州市晟鴻商貿有限公司(Notes (ii) and (iv))	PRC	RMB1,000,000	100% (2020: 100%)	–	100% (2020: 100%)	Trading of sporting goods
Quanzhou 361 Degrees Investment Company Limited 泉州三六一度投資 有限公司(Notes (ii) and (iv))	PRC	RMB50,000,000	100% (2020: 100%)	–	100% (2020: 100%)	Investment holding
Zhuji 361 Degrees Children's Wear Co. Limited ("Zhuji 361 Degrees") 諸暨市三六一度童裝有限公司 (Notes (ii) and (iv))	PRC	HK\$134,737,000	74% (2020: 74%) (Note (vi))	–	85% (2020: 85%)	Trading of children sporting goods
Quanzhou Xingtong Trading Co., Ltd 泉州興桐商貿有限公司(Notes (ii) and (iv))	PRC	RMB1,000,000	69% (2020: 72%)	–	100% (2020: 100%)	Trading of sporting goods

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Jinjiang Jinfa No.1 Equity Investment Partnership (Limited Partnership) 晉江市晉發一號股權投資合夥企業 (有限合夥) (Notes (iii), (iv) and (v))	PRC	RMB1,100,000,000 (2020: RMB700,010,000)	50% (2020: 50%)	–	50% (2020: 50%)	Investment holding
Quanzhou Shuodong Trading Co., Ltd 泉州樂動商貿有限公司 (Notes (ii) and (iv))	PRC	RMB5,000,000	100%	–	100%	Trading of sporting goods

Notes:

- (i) These entities are wholly foreign owned enterprises established in the PRC.
- (ii) These entities are limited liability companies established in the PRC.
- (iii) The entity is a sino-foreign equity joint venture enterprise registered in the PRC.
- (iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.
- (v) On 16 July 2020, the Group entered into a limited partnership agreement (the “Limited Partnership Agreement”) with two independent third parties, in respect of the establishment of a limited partnership in the PRC (the “Partnership”). The purpose of the Partnership is to make investment into Duoyidu by way of subscription of not more than 40% of equity interest in Duoyidu. According to the Limited Partnership Agreement, the total amount of capital commitments of the Partnership is RMB1,100,000,000 and of which the Group and the two independent third parties would contribute RMB550,110,000 and RMB549,900,000 respectively. The Partnership is owned as to 50.01% and 49.99% by the Group and the two independent third parties respectively. Therefore, the Group owns the majority of voting rights and exercises control over the Partnership and accounted for it as an indirectly non-wholly owned subsidiary of the Company.

On the same date, the Group entered into an investment agreement with (i) a non-controlling interest of Duoyidu and (ii) the Partnership. Pursuant to which the Partnership agreed to acquire approximately 35.85% of equity interest in Duoyidu, by way of subscribing for additional registered capital at a consideration of RMB1,100,000,000.

During the year ended 31 December 2020, the Group and the two independent third parties had contributed RMB350,060,000 and RMB349,940,000 respectively into the Partnership. The Partnership then injected the total amount so received of RMB700,000,000 to Duoyidu according to the investment agreement. The remaining capital of RMB400,000,000 had not yet paid up to the Partnership as at 31 December 2020.

In the opinion of the directors of the Company, after considering the legal advice from the Group’s PRC external legal adviser, the equity interest held by the Partnership was based on the its paid-up capital contribution to Duoyidu as at 31 December 2020, which resulted in the effective equity interest held by the Group decreased from 80% to 72.13% during the year ended 31 December 2020. As a result, a deemed disposal of a subsidiary of approximately RMB190,376,000 was recognised and accounted for as an equity transaction and recorded in “Other reserves” during the year ended 31 December 2020.

During the year ended 31 December 2021, the Group and the two independent third parties have contributed RMB200,040,000 and RMB199,960,000 respectively in the Partnership and the Partnership injected the amount so received of RMB400,000,000 to Duoyidu. A further deemed disposal of approximately RMB141,343,000 is recognised during the year and accounted for as an equity transaction and recorded in “Other reserves”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. OTHER NON-CURRENT FINANCIAL ASSET

	2021 RMB'000	2020 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	26,729	18,188

The unlisted equity securities represent equity interest of 6.7% (2020: 6.7%) in Jinjiang Merchant Investment Co., Ltd, a company incorporated in the PRC and engaged in property development. The Group designated its investment in Jinjiang Merchant Investment Co., Ltd at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends income was recognised on this investment during the year (2020: Nil).

15. INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 RMB'000	2020 RMB'000
Raw materials	69,347	36,068
Work in progress	26,877	18,358
Finished goods	794,713	708,141
	890,937	762,567

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	3,470,726	3,174,142
(Reversal of)/Provision for impairment of inventories	(9,664)	11,083
	3,461,062	3,185,225

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables	2,659,472	2,274,493
Less: allowance for expected credit loss	(132,417)	(90,303)
Trade receivables, net of loss allowance (Note (a))	2,527,055	2,184,190
Bills receivable (Note (a))	72,683	73,254
Deposits, prepayments and other receivables		
<i>Current</i>		
Deposits	81	151
Prepayments (Note (b))	1,119,607	827,491
Other receivables (Note (d))	81,783	78,475
	1,201,471	906,117
<i>Non-current</i>		
Deposits and prepayments (Note (c))	102,344	88,890

Notes:

- (a) As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for expected credit loss, is as follows:

	2021 RMB'000	2020 RMB'000
Within 90 days	2,038,910	1,672,852
Over 90 days but within 180 days	445,148	385,969
Over 180 days but within 360 days	115,680	198,623
	2,599,738	2,257,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes: (Continued)

(a) (Continued)

Trade and bills receivables are due within 30 to 180 days (2020: 30 to 180 days) from the date of billing. Further details on the Group's credit policy and the movement in the ECL allowance for trade receivables are set out in Note 26(a).

Bills receivable represented certain bank acceptance bills not endorsed as at 31 December 2021. The directors of the Company considered the expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers. As at 31 December 2021, the Group endorsed certain bank acceptance bills totaling RMB317,983,000 (2020: RMB186,367,000) to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and trade payables. These derecognised bank acceptance bills had a maturity date of less than six months from the reporting date. In the opinion of the directors of the Company, after considering the advice of a PRC legal adviser, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

- (b) Prepayments mainly represent advanced payments to suppliers and advertisers of RMB955,265,000 and RMB49,977,000 respectively (2020: RMB799,158,000 and RMB16,990,000).
- (c) Non-current portion of deposits and prepayments mainly represent the initial deposits paid to local government authorities for acquisition of land use rights for development.
- (d) Other receivables mainly include the interest receivables from bank deposits of approximately RMB23,778,000, other receivables relating to trade fairs and e-commerce platforms of approximately RMB25,858,000 and other tax recoverable of approximately RMB5,109,000 (2020: the amount due from non-controlling interests of a subsidiary and interest receivables from bank deposits of approximately RMB6,290,000 and RMB37,310,000 respectively). The amounts due from non-controlling interests as at 31 December 2020 were unsecured, interest-free and repayable on demand, such balance has fully settled the balance during the year ended 31 December 2021.

All of the trade receivables, bills receivable and current portion of deposits, prepayments and other receivables are expected to be recovered or recognised as expenses within one year.

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

	2021 RMB'000	2020 RMB'000
Pledged bank deposits	52,170	62,628
Deposits with banks		
– More than three months to maturity when placed	2,000,000	3,000,000
Cash at bank and on hand	3,339,010	3,451,331
	5,391,180	6,513,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION (Continued)

Pledged bank deposits comprised deposits of approximately RMB46,920,000 pledged to certain banks as security for certain banking facilities (Note 20) and guarantee deposits of approximately RMB5,250,000 for payment to guaranteed parties denominated in RMB placed in designated accounts. At the request of 2022 Asian Games Committee, the Group is required to place certain amount of cash in designated bank accounts as guarantee deposits. In the event that the Group does not meet its contractual obligations under the agreements signed with 2022 Asian Games Committee within specified period, the deposits can be withdrawn without consent of the Group. Such guarantee deposit will be released upon the expiry of the guarantee agreements.

Details of interest rate are set out in note 26(c)(i).

At 31 December 2021, balances placed with banks or on hand in the PRC were amounted to approximately RMB5,286,424,000 (2020: RMB6,464,026,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities RMB'000 (note 19)	Bank loans RMB'000 (note 20)	Interest- bearing borrowings RMB'000 (note 21)	Total RMB'000
At 1 January 2020	3,289	111,186	2,418,604	2,533,079
Changes from financing cash flows:				
Payment for repurchase of senior unsecured notes	–	–	(504,452)	(504,452)
Principal capital element of lease rentals paid	(3,413)	–	–	(3,413)
Interest element of lease rentals paid	(172)	–	–	(172)
Proceeds from bank loans	–	200,948	–	200,948
Repayment of bank loans	–	(101,270)	–	(101,270)
Interest paid	–	(7,548)	(148,855)	(156,403)
Total changes from financing cash flows	(3,585)	92,130	(653,307)	(564,762)
Exchange realignment	39	(642)	(152,144)	(152,747)
Other changes:				
Interest expense (Note 5(a))	172	7,548	159,616	167,336
Addition of lease liabilities	3,348	–	–	3,348
Termination of lease	(1,034)	–	–	(1,034)
Gain on repurchase of senior unsecured notes	–	–	(46,199)	(46,199)
Total other changes	2,486	7,548	113,417	123,451
At 31 December 2020	2,229	210,222	1,726,570	1,939,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

17. CASH AND BANK DEPOSITS AND OTHER CASH FLOW INFORMATION (Continued)

Reconciliation of liabilities arising from financing activities (Continued)

	Lease liabilities RMB'000 (Note 19)	Amount due to non- controlling interests RMB'000 (Note 17)	Bank loans RMB'000 (Note 20)	Inter-est- bearing borrowings RMB'000 (Note 21)	Total RMB'000
At 1 January 2021	2,229	-	210,222	1,726,570	1,939,021
Changes from financing cash flows:					
Payment for repurchase of senior unsecured notes	-	-	-	(967,326)	(967,326)
Redemption of senior unsecured notes	-	-	-	(752,005)	(752,005)
Advance made by non-controlling interests	-	710	-	-	710
Principal Capital element of lease rentals paid	(1,793)	-	-	-	(1,793)
Interest element of lease rentals paid	(56)	-	-	-	(56)
Proceeds from bank loans	-	-	100,000	-	100,000
Repayment of bank loans	-	-	(102,156)	-	(102,156)
Interest paid	-	-	(9,668)	(25,876)	(35,544)
Total changes from financing cash flows	(1,849)	710	(11,824)	(1,745,207)	(1,758,170)
Exchange realignment	72	-	(229)	(9,685)	(9,842)
Other changes:					
Interest expense (Note 5(a))	56	-	9,668	27,094	36,818
Management fee	-	10,726	-	-	10,726
Addition of lease liabilities	1,048	-	-	-	1,048
Termination of lease	(521)	-	-	-	(521)
Loss on repurchase of senior unsecured notes	-	-	-	1,228	1,228
Total other changes	583	10,726	9,668	28,322	49,299
At 31 December 2021	1,035	11,436	207,837	-	220,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

18. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade creditors	1,093,279	860,569
Bills payable (Note 20)	156,400	198,760
	1,249,679	1,059,329
Contract liabilities (Note (a))	142,653	211,453
Other payables and accruals (Note (b))	699,293	485,273
	2,091,625	1,756,055

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable based on invoice date, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 month	315,299	286,924
After 1 month but within 3 months	396,001	356,220
After 3 months but within 6 months	538,379	416,185
	1,249,679	1,059,329

Notes:

- (a) Contract liabilities, representing receipt in advance from customers, are separately presented. Movement of contract liabilities is as follows:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	211,453	164,496
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(211,453)	(164,496)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	142,653	211,453
Balance at 31 December	142,653	211,453

- (b) Other payables and accruals mainly included the accrued advertising expenses of approximately RMB202,681,000 (2020: RMB168,606,000), other payables relating to shelf allowance, trade fairs and e-commerce platforms of approximately RMB111,475,000 (2020: RMB57,929,000) and other tax payables of approximately RMB129,717,000 (2020: RMB93,498,000). As at 31 December 2021, an amount due to non-controlling interests of a subsidiary of approximately RMB11,436,000 (2020: Nil) was included in other payable and accruals. The amount due to non-controlling interests were unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
At 1 January	2,229	3,289
Addition	1,048	3,348
Termination of lease	(521)	(1,034)
Payment of principal and interest	(1,849)	(3,585)
Interest expenses (<i>Note 5(a)</i>)	56	172
Exchange realignment	72	39
Balance at 31 December	1,035	2,229
Current	391	2,156
Non-current	644	73
	1,035	2,229

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	31 December 2021 Present value of the minimum lease payments RMB'000		31 December 2020 Present value of the minimum lease payments RMB'000	
		Total minimum lease payments RMB'000		Total minimum lease payments RMB'000
Within 1 year	366	423	2,156	2,205
After 1 year but within 2 years	361	361	73	73
After 2 years but within 5 years	308	308	–	–
	669	669	73	73
	1,035	1,092	2,229	2,278
Less: total future interest expenses		(57)		(49)
Present value of lease liabilities		1,035		2,229

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. LEASE LIABILITIES (Continued)

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	4,880	4,288
Within financing cash flows (<i>Note 17</i>)	1,849	3,585
	6,729	7,873

20. BANK LOANS

At 31 December 2021, bank loans were classified as current liabilities which were repayable within one year or on demand as follows:

	2021 RMB'000	2020 RMB'000
Secured bank loans	7,837	10,222
Unsecured bank loans	200,000	200,000
	207,837	210,222

The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	2021 RMB'000	2020 RMB'000
Facilities amount	1,026,152	1,276,592
Utilisation at the end of the reporting period		
– Bills payable (<i>Note 18</i>)	156,400	198,760
– Bank loans	207,837	210,222
	364,237	408,982

As at 31 December 2021, certain bank loans and bills payable of the Group were secured by a property with carrying amount of RMB38,796,000 (2020: RMB39,826,000) (*Note 11*) and pledged bank deposits of RMB46,920,000 (2020: RMB62,628,000) (*Note 17*). As at 31 December 2021, certain bank loans and bills payable of the Group were also guaranteed by certain subsidiaries of the Company (2020: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. INTEREST-BEARING BORROWINGS

	2021 RMB'000	2020 RMB'000
At amortised cost:		
Senior unsecured notes due 2021	–	1,726,570
Non-current	–	–
Current	–	1,726,570
	–	1,726,570

On 3 June 2016, the Company issued senior unsecured notes with principal amount of US\$400,000,000 due 2021 (the “US\$ Notes”). The US\$ Notes are interest bearing at 7.25% per annum, and payable on a semi-annual basis in arrears. The maturity date of the US\$ Notes is 3 June 2021. The effective interest rate of the US\$ Notes is 7.86% per annum.

Prior to the cancellation or maturity of the US\$ Note, they are subject to the fulfillment of covenants relating to certain of the Group’s financial ratios. A breach of these would result that the principal and interest would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020, none of the covenants relating to the borrowings had been breached.

The Group had partially repurchased the US\$ Notes in the open market since issuance and as at 31 December 2020, the principal amount of outstanding was approximately US\$266,110,000 (equivalent to approximately RMB1,726,570,000).

During the year, the Company repurchased an aggregate principal amount of approximately US\$149,805,000 (equivalent to approximately RMB968,557,040) (2020: US\$80,140,000 (equivalent to approximately RMB552,595,000)) (“Repurchased Notes”) in the open market prior to the maturity date, representing approximately 37.45% (2020: 20%) of the initial aggregate principal amount of the US\$ Notes. All the repurchased US\$ Notes were cancelled during the year ended 31 December 2021 (2020: same).

The difference between the carrying amount at amortised cost of approximately RMB966,098,000 (2020: RMB550,651,000) and the payment of the Repurchased Notes of approximately RMB967,326,000 (2020: RMB504,452,000) is recognised in the consolidated profit or loss as loss on repurchase of senior unsecured notes of approximately RMB1,228,000 (2020: gain of approximately RMB46,199,000) for the year ended 31 December 2021.

On 3 June 2021, the remaining US\$ Notes with a carrying amount at amortised cost of approximately RMB752,005,000 were redeemed and cancelled by the Company.

Details of the repurchase and redemption are set out in the announcements of the Company dated 4 January, 13 January, 18 January and 4 June 2021 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the “Scheme”) organised by the PRC municipal government authority in the Fujian Province whereby the Group is required to make contributions to the Scheme at rates which ranged from 16% to 19% of the eligible employees’ relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits associated with the Scheme and the MPF scheme beyond the annual contributions described above.

23. DEFERRED ASSETS/(LIABILITIES)

Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Credit loss allowance	Expenses deductible on paid basis	Income taxable on receipt basis	Revaluation of other financial asset	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:					
Balance at 1 January 2020	12,702	39,850	(8,508)	(2,734)	41,310
Credited/(Charged) to profit or loss (Note 6(a))	11,694	14,312	(868)	–	25,138
Credited to reserves (Note 9)	–	–	–	1,020	1,020
Balance at 31 December 2020 and 1 January 2021	24,396	54,162	(9,376)	(1,714)	67,468
Credited to profit or loss (Note 6(a))	8,935	5,553	3,431	–	17,919
Charged to reserves (Note 9)	–	–	–	(1,281)	(1,281)
Balance at 31 December 2021	33,331	59,715	(5,945)	(2,995)	84,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. DEFERRED ASSETS/(LIABILITIES) (Continued)

Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	97,778	81,749
Net deferred tax liabilities recognised in the consolidated statement of financial position	(13,672)	(14,281)
	84,106	67,468

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(q), the Group has not recognised deferred tax assets of approximately RMB16,168,000 (2020: RMB33,010,000) in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within 5 years when such losses were incurred under current tax legislation.

Deferred tax liabilities not recognised

At 31 December 2021, the Group has not recognised deferred tax liabilities of RMB236,769,000 (2020: RMB325,183,000) in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to RMB4,735,380,000 (2020: RMB6,503,653,000) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Notes	Share capital RMB'000	Share option reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	182,298	–	(78,295)	38,893	142,896
Changes in equity for 2020:					
Loss for the year	–	–	–	(107,245)	(107,245)
Other comprehensive loss	–	–	(1,347)	–	(1,347)
Total comprehensive loss for the year	–	–	(1,347)	(107,245)	(108,592)
Dividends declared and paid during the year 24(b)	–	–	–	(27,804)	(27,804)
Balance at 31 December 2020 and 1 January 2021	182,298	–	(79,642)	(96,156)	6,500
Changes in equity for 2021:					
Profit for the year	–	–	–	1,424,600	1,424,600
Other comprehensive loss	–	–	(20,163)	–	(20,163)
Total comprehensive income for the year	–	–	(20,163)	1,424,600	1,404,437
Equity-settled share option expense (Note 31)	–	26,125	–	–	26,125
Balance at 31 December 2021	182,298	26,125	(99,805)	1,328,444	1,347,062

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)**(b) Dividends****(i) Dividends payable to equity shareholders of the Company attributable to the year**

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The board of directors of the Company has resolved to recommend the payment of the proposed final dividend of HK1.5 cents per ordinary share ("Proposed Final Dividend") subject to the approval of the shareholders at the annual general meeting (the "AGM"), in the annual results announcement for the year ended 31 December 2019 dated 17 March 2020. The amount of approximately RMB27,804,000 was disclosed as dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2019.

Due to inadvertent oversight, the proposed resolution approving the declaration of the Proposed Final Dividend was omitted from the notice of the AGM dated 23 March 2020.

According to the announcement date on 28 April 2020, the board of directors of the Company resolved at its meeting held on 28 April 2020 to pay a 2019 special dividend of HK1.5 cents per ordinary share, being an amount identical to the Proposed Final Dividend, in substitution of the Proposed Final Dividend.

	2021 RMB'000	2020 RMB'000
Special dividend in respect of the previous financial year, approved and paid during the year, of HK1.5 cents per ordinary share	–	27,804

For the year ended 31 December 2021

(c) Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(i) **Other reserves**

On 23 December 2013, 361 Degrees Kids Wear Limited allotted shares to holders of non-controlling interests, which represented 13% of its enlarged share capital, and received a total consideration of RMB16,225,000. The difference between the net assets shared by the non-controlling interests and consideration received was treated as an equity movement and recorded in "Other reserves".

As at 31 December 2019, in the opinion of the directors of the Company, the investment by the Investor with total consideration of RMB500,000,000 was completed. The difference between the net assets shared by the non-controlling interests of RMB171,998,000 and the total consideration received was treated as an equity movement and recorded in “Other reserves”.

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)**(d) Nature and purpose of reserves (Continued)****(i) Other reserves (Continued)**

As disclosed in Note 13(v), the effective equity interest held by the Group was considered to decrease from 80% to 72.13% upon the partial capital injection to Duoyidu by the Partnership during the year ended 31 December 2020. As a result, a deemed disposal of a subsidiary of approximately RMB190,376,000 was recognised and accounted for as an equity transaction and recorded in “Other reserves”. During the year ended 31 December 2021, the effective equity interest held by the Group was further decreased to 69.25% upon injection of remaining capital to Duoyidu by the Partnership, a deemed disposal of a subsidiary of approximately RMB141,343,000 is recognised and recorded in “Other reserves” accordingly.

(ii) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to appropriate 10% of their profit after income tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from translation of the financial statements of entities with functional currency other than RMB, the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 1(s).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see Note 1(e)).

(v) Share option reserve

Share-based payment reserve represents the portion of grant date fair value of unexercised share options of the Company.

(e) Distributability of reserves

At 31 December 2021, aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB1,328,444,000 (2020: Nil). After the end of the reporting period, the directors of the Company did not recommend the payment of final dividend (2020: Nil) for the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation. The Group's gearing ratio, being the Group's interest bearing debt over its total assets, as at 31 December 2021 was approximately 1.85% (2020: 16.7%).

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements.

25. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	2,527,055	2,184,190
Bills receivable	72,683	73,254
Other receivables	81,783	78,475
Pledged bank deposits	52,170	62,628
Deposits with banks	2,000,000	3,000,000
Cash and cash equivalents	3,339,010	3,451,331
Financial assets at fair value		
Financial assets at FVOCI:		
Other financial asset	26,729	18,188
	8,099,430	8,868,066
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	1,937,536	1,544,602
Lease liabilities	1,035	2,229
Bank loans	207,837	210,222
Interest-bearing borrowings	–	1,726,570
	2,146,408	3,483,623

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and commodity price risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from the movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from bank balances is limited because the counterparties are banks, for which the Group considers to have low credit risk. At the end of the reporting period, there is some concentration and credit risk on the total bank deposits (including cash and cash equivalents, pledged bank deposits, deposits with banks), as most of the total bank deposits were placed in certain banks.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 11% (2020: 11%) and 44% (2020: 47%) of the gross trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 180 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customers bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables:

	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 31 December 2021				
Current (not past due)	1.5	2,190,943	(33,042)	2,157,901
1 – 90 days past due	8.3	280,411	(23,189)	257,222
More than 90 days past due	40.5	188,118	(76,186)	111,932
		2,659,472	(132,417)	2,527,055
At 31 December 2020				
Current (not past due)	1.3	1,630,687	(20,322)	1,610,365
1 – 90 days past due	7.1	404,082	(28,880)	375,202
More than 90 days past due	17.1	239,724	(41,101)	198,623
		2,274,493	(90,303)	2,184,190

Except for customers with significant balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables are grouped under a provision matrix based on shared credit risk characteristics by reference to the repayment history over a period of 12 month and the corresponding historical credit losses experienced within this period. The historical loss rates were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group had considered that the PRC's gross domestic growth is to be the most relevant factor, and these are applied in the regression model given the impact of COVID-19 pandemic and some significant changes in the market indexes, and accordingly, adjusted the historical loss rates based on expected changes of this factor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk (Continued)

Trade receivables (Continued)

Movement in the ECL allowance in respect of trade receivables during the year is as follows: Measurement of ECLs:

	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2020	50,847	–	50,847
Provision for impairment losses (<i>Note 5(c)</i>)	31,764	7,692	39,456
At 31 December 2020 and 1 January 2021	82,611	7,692	90,303
Provision for impairment losses (<i>Note 5(c)</i>)	(26,380)	68,494	42,114
At 31 December 2021	56,231	76,186	132,417

Other receivables

For other receivables, in order to minimise the credit risk, the management of the Group closely monitor the follow-up action taken to recover any past due receivable balances. In addition, the Group monitors subsequent settlement of each of the receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In addition, the Group has applied the general approach in HKFRS 9 to measure the ECL allowance at 12-month ECL, since there has not been a significant increase in credit risk since initial recognition for the other receivables. The credit risk on other receivables have not increased significantly since initial recognition as each of the counterparties have no history of default and good repayment records.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowing exceeds certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow				Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	
At 31 December 2021					
Trade and other payables	1,937,536	–	–	1,937,536	1,937,536
Lease liabilities	423	361	308	1,092	1,035
Bank loans	212,617	–	–	212,617	207,837
Interest-bearing borrowings	–	–	–	–	–
Total	2,150,576	361	308	2,151,245	2,146,408
At 31 December 2020					
Trade and other payables	1,544,602	–	–	1,544,602	1,544,602
Lease liabilities	2,205	73	–	2,278	2,229
Bank loans	211,056	–	–	211,056	210,222
Interest-bearing borrowings	1,784,463	–	–	1,784,463	1,726,570
Total	3,542,326	73	–	3,542,399	3,483,623

The table below summarises the maturity analysis of bank loans with a repayment on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the “on demand” time band in the maturity analysis contained in the above table.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk (Continued)

The directors of the Company do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Contractual undiscounted cash outflow					Carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
At 31 December 2021						
Bank loans	1,406	1,406	5,626	–	8,438	7,837
At 31 December 2020						
Bank loans	2,393	1,444	4,332	2,888	11,057	10,222

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities, bank loans, interest-bearing borrowings and bank balances. Borrowings and bank balances at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (being interest-bearing financial liabilities less pledged bank deposits, deposits with banks and cash and cash equivalents) at the end of the reporting period.

	2021 Effective interest rate per annum %	Amount RMB'000	2020 Effective interest rate per annum %	Amount RMB'000
Fixed rate deposits/ (borrowings)				
Pledged bank deposits	1.3 – 1.55	52,170	1.3 – 1.55	62,628
Deposits with banks	2.1	2,000,000	2.1	3,000,000
Cash and cash equivalents	–	–	–	–
Lease liabilities	4 – 5.01	(1,035)	4 – 5.01	(2,229)
Interest-bearing borrowings	–	–	7.86	(1,726,570)
		2,051,135		1,333,829
Variable rate deposits/ (borrowings)				
Cash and cash equivalents	0.001 – 0.3	3,339,010	0.001 – 0.3	3,451,331
Bank loans	1 – 4.15	(207,837)	1 – 4.15	(210,222)
		3,131,173		3,241,109
Total net deposits		5,182,308		4,574,938

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2021, it is estimated that a general increase/decrease of 100 basis points in both saving and lending interest rates, with all other variables held constant, would have increased/decreased the Group's profit after income tax and retained profits by approximately RMB23,498,000 (2020: RMB25,562,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after income tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after income tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2020.

(d) Currency risk

The Group is exposed to currency risk primarily through bank balances and interest-bearing borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily HK\$ and US\$.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

	Exposure of foreign currencies					
	Hong Kong dollars RMB'000	2021 United States dollars RMB'000	Renminbi RMB'000	Hong Kong dollars RMB'000	2020 United States dollars RMB'000	Renminbi RMB'000
Cash and bank deposits	979	7,157	24,543	979	24,853	5,836
Amounts due from group companies	-	-	1,329	-	-	841,550
Amounts due to group companies	-	-	(29,911)	-	-	(675,903)
Interest-bearing borrowings	-	-	-	-	(1,726,570)	-
Net exposure arising from recognised assets and liabilities	979	7,157	(4,039)	979	(1,701,717)	171,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after income tax and retained profits that would arise if the foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variable remained constant. In this respect, it is assumed that the pegged rate between the HK\$ and the US\$ would be materially unaffected by any changes in movement in value of the US\$ against other currencies.

	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained profits RMB'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained profits RMB'000
Hong Kong dollars	5% (5%)	37 37	5% (5%)	37 37
Renminbi	5% (5%)	(202) 202	5% (5%)	8,574 8,574

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after income tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

(e) Commodity price risk

The major raw materials used in the production of the Group's products include leathers, polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(f) Business risk

The Group's primary business is the design, manufacturing and distribution of branded sports footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of distributors, manufacture sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

(g) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements categorised into			
	Fair value	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement:				
At 31 December 2021				
Financial asset:				
Unlisted equity security	26,729	–	–	26,729
At 31 December 2020				
Financial asset:				
Unlisted equity security	18,188	–	–	18,188

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2020: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(g) Fair value measurement (Continued)

(i) Financial assets measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by adjusted net assets value approach. Under adjusted net assets value approach, total value of the equity was based on the sum of the net asset value, determined by marking every asset and liability on (and of) the investee's balance sheet to fair value. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% (2020: 5%) would have increased/decreased the Group's other comprehensive income by RMB1,813,000 (2020: RMB2,401,000).

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000
Unlisted equity securities:		
Balance at 1 January	18,188	24,992
Net unrealised gain/(loss) recognised in other comprehensive income during the year (Note 9)	8,541	(6,804)
Balance at 31 December	26,729	18,188

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2021 and 2020 except for the following financial instruments, for which their carrying amounts and fair value and the level of fair value hierarchy are disclosed below:

	Carrying amount RMB'000	Fair value RMB'000	Fair value measurements categorised into		
			Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
At 31 December 2021					
Interest-bearing borrowings	-	-	-	-	-
At 31 December 2020					
Interest-bearing borrowings	1,726,570	1,761,110	1,761,110	-	-

The fair values of the interest-bearing borrowings, listed senior unsecured notes in Hong Kong, are quoted in the active market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. COMMITMENTS

- (a) Contractual commitments outstanding at 31 December 2021 not provided for in the consolidated financial statements were as follows.

	2021 RMB'000	2020 RMB'000
Advertising and marketing expenses	94,121	180,234

- (b) Capital commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Construction in progress	2,249	2,249

- (c) At 31 December 2021, the total future minimum lease payments under non-cancellable leases are payable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	106	776

Lease commitments shown above only represent lease commitments of the Group for short-term leases.

28. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in elsewhere in the consolidated financial statements, the Group enter into the following related party transactions:

(a) Transactions and balances with a related party

	2021 RMB'000	2020 RMB'000
Amount due (to)/from non-controlling interest of a subsidiary (included in (trade and other payables)/trade and other receivables) (Note 18)	(11,436)	6,290

During the year, the Group and the non-controlling interests entered into a management service arrangement, pursuant to which the non-controlling interests provided management services to the Partnership, one of the subsidiaries of the Group, at a yearly management fee of approximately RMB10,726,000. The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2021 RMB'000	2020 RMB'000
Short-term employee benefits	35,274	33,426
Equity settled share-based payment	9,663	–
Post-employment benefits	503	436
	45,440	33,862

Total remuneration is included in “staff costs” (see Note 5(b)).

29. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Below is the summary of financial information of Duoyidu which is non-wholly-owned subsidiary with material non-controlling interest. The amounts disclosed below are before any inter-company elimination:

	2021 RMB'000	2020 RMB'000
NCI percentage	30.75%	27.87%
<i>Summarised statement of financial position</i>		
Current assets	2,375,679	1,754,446
Non-current assets	1,186	1,271
Current liabilities	1,206,426	1,121,808
Net assets	1,170,439	633,909
Carrying amount of NCI	359,941	176,670
<i>Summarised statement of comprehensive income</i>		
Revenue	1,227,382	791,451
Profit for the year	136,530	65,059
Total comprehensive income for the year	136,530	65,059
Profit allocated to NCI	41,937	12,801
<i>Summarised statement of cash flows</i>		
Cash flows from operating activities	(871,768)	(271,469)
Cash flows from investing activities	–	(1,226)
Cash flows from financing activities	400,000	700,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
Non-current asset			
Investments in subsidiaries	13	1	1
Current assets			
Other receivable		249	–
Amounts due from subsidiaries		1,413,686	1,744,385
Cash and cash equivalents		24,880	1,760
		1,438,815	1,746,145
Current liabilities			
Other payables		1,754	13,076
Interest-bearing borrowings	21	–	1,726,570
		1,754	1,739,646
Net current assets		1,437,061	6,499
Total assets less current liabilities		1,437,062	6,500
Net assets		1,437,062	6,500
Capital and reserves	24(a)		
Share capital		182,298	182,298
Reserve		1,254,764	(175,798)
Total equity		1,437,062	6,500



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. SHARE OPTION PLAN

Equity-settled share-based payments

Pursuant to a resolution passed by the Company's shareholders at the annual general meeting held on 18 May 2021, the Company adopted a share option scheme (the "Scheme").

Particulars of the Scheme are set out below:

Purpose of the Scheme

The purpose of the Scheme is to provide incentives and rewards to eligible participants for their contribution to the Group.

Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof, may, at its discretion, grant options to any eligible employee (including any executive and independent non-executive director or proposed executive and independent non-executive director) of the Group, suppliers, customers, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group, person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group (collectively the "Participants"), to subscribe for shares of HK\$0.01 each in the share capital of the Company in accordance with the provisions of the Scheme.

Total number of shares available for issue under the Scheme

The maximum number of shares which may be allotted and issued upon exercise of all options to be granted under the Scheme and any other schemes adopted by the Company shall not exceed 10% of the shares of the Company in issue at the time dealings in the shares first commence on the Stock Exchange. The Company may at any time as the Board may think fit seek approval from its shareholders in general meeting to refresh the limit in accordance with the terms of the Scheme. Also, the maximum number of shares which may be allotted issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes adopted by the Company shall not exceed 30% of the shares of the Company in issue from time to time. No options may be granted under the Scheme or any other schemes adopted by the Company if the grant of such option will result in the limit being exceeded.

Maximum entitlement of each participant

No Participants shall be granted an option if total number of shares issued and to be issued upon exercise of the options and the options granted under any other schemes adopted by the Company (including both exercised, cancelled and outstanding options) in any 12-month period up to and including the date of grant to such Participant would exceed in aggregate 1% of the shares of the Company for the time being in issue unless the proposed grant has been approved by the shareholders of the Company in general meeting with the proposed grantee and his associates abstaining from voting.

Share options granted to a substantial shareholder of the Company or an independent non-executive director, or to any of their respective associates, are subject to approval in advance by the shareholders of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

31. SHARE OPTION PLAN (Continued)**Period within which the shares must be taken up under an option**

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine which shall not be more than ten years from the date of grant of the option subject to the provisions of early termination thereof and the board of directors may provide restrictions on the exercise of an option during the period an option may be exercised.

Amount payable upon acceptance of the option and the period within which the payment must be made HK\$1.00 shall be paid within 21 days from the date of offer of the option.

Basis of determining the exercise price of the option

The exercise price for Shares under the Scheme shall be a price determined by the Board, but in any case will not be less than the highest of:

- (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;
- (2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer; or
- (3) the nominal value of a share.

Remaining life of the Scheme

The Scheme shall be valid and effective for a period of 10 years from the date of adoption (i.e. 18 May 2021 and ending on 17 May 2031), after which no further options will be granted but the provisions of the Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior to otherwise as may be required in accordance with the provision of the Scheme.

Share options granted

Details of share options granted under the Scheme are as follows:

	Share options by grant date 21 June 2021 (Note a)
Number of ordinary shares issued upon exercise (Note c):	
– Director	–
– Senior management	8,840,000
– Employees	45,960,000
– Employees of the Group's distributors (Note b)	45,200,000
	100,000,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. SHARE OPTION PLAN (Continued)

Share options granted (Continued)

Notes:

- (a) The grant date is the date at which the Company and counterparties (including the employees) agree to a share-based payment arrangement, being when the Company and the counterparties have a shared understanding of the terms and conditions of the arrangement.
- (b) External business partners represented 30 employees of the existing distributors of the Group.

The Group appreciated the participations and contributions made by the employees of the Group's distributors (i.e. the Group's customers) and would like to give them share-based sales incentives as to motivate them to achieve higher sales target, make more purchase orders from the Group and follow the marketing strategy of the Group, which in turn further increase the Group's sales to distributors. Moreover, the Group considered that it would be helpful in promoting the corporate and brand image by attracting more distributors and exploring the potential business opportunities. As such, in the opinion of the directors of the Company, the fair value of these services cannot be measured reliably and hence measure the services rendered by reference to the fair value of share options granted. Such share-based sales incentive is classified as the consideration payable to a customer at the grant date. As the share-based sales incentive to employees of distributors is not in exchange for a distinct good or service that transfers to the Group, such payment is accounted for as the reduction in the transaction price when the Group recognised revenue for the transfer of the goods (Note 3(a)) during the first 18 months from the date of grant.

- (c) Share options granted are all exercisable from 21 December 2022 to 20 June 2023.

If the grantee is an eligible employees of the Group and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, the grantee or his personal representative may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment. Otherwise, the options shall lapse on the date of cessation or termination and not be exercisable.

In respect of the grantees other than eligible employees, the date on which the grantee could no longer make any contribution to the growth and development of any members of the Group by reason of the cessation of its relations with the Group, the options shall lapse on the date.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. SHARE OPTION PLAN (Continued)

Share options granted (Continued)

Details in the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

For the year ended 31 December 2021

	Exercise price per share option HK\$	Equivalent to RMB	Number of share options				
			As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed/ Forfeited during the year	As at 31 December 2021
Share options granted by the Group on 21 June 2021							
– Director	4.10	3.40	–	–	–	–	–
– Senior management	4.10	3.40	–	8,840,000	–	–	8,840,000
– Employees	4.10	3.40	–	45,960,000	–	(320,000)	45,640,000
– Employees of the Group's distributors	4.10	3.40	–	45,200,000	–	–	45,200,000
			–	100,000,000	–	(320,000)	99,680,000
Exercisable at the end of the year							–
Weighted average exercise price on outstanding options							HK\$4.10

The options will entitle the grantee to subscribe for a total of 100,000,000 new shares of HK\$0.01 each at an exercise price of HK\$4.10 per share.

The fair values of services received from employees of the Group and the employees of the Group's distributors in return for share options granted are measured by reference to the fair value of share options granted.

For the fair value of services measured indirectly by reference to the fair value of the share options granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, Valtech Valuation Advisory Limited using the Binomial Option Pricing Model significant inputs into the model were as follows:

	Share options
Expected volatility	57%
Expected option life	1.5 years
Expected dividend yield	3.70%
Annual risk-free interest rate	0.14%
Fair value (HK\$)	113,699,088

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. SHARE OPTION PLAN (Continued)

Share options granted (Continued)

During the year ended 31 December 2021, share-based payment expense of approximately RMB26,125,000 for the share option scheme was recognised in the consolidated profit or loss, of which approximately RMB15,084,000 is recognised as reduction in revenue (Note 3(a)) and approximately RMB11,041,000 recognised as staff cost (Note 5(b)), with a corresponding credit to the share option reserve.

No share options are exercised during the year. At the time when the share options are subsequently exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium.

When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

32. POSSIBLE IMPACT OF NEW OR AMENDMENTS TO HKFRSs ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amendments to HKFRSs, which are not yet effective for the year ended 31 December 2021 and which have not been early adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

		Effective for annual reporting periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to AG 5	Accounting Guideline 5 Merger Accounting for Common Control Combinations (Revised)	1 January 2022
Amendment to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 *	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020	1 January 2022

* The amendments were original intended to be effective for annual periods beginning on or after 1 January 2020. The effective date has now been deferred. Early adoption of the amendments continues to be permitted.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of final results	23 March 2022
Closure of register of members	13 May 2022 to 18 May 2022
Record date for determination of entitlement to attend and vote at AGM	18 May 2022

DIVIDENDS

The Board resolved not to pay any final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Wednesday, 18 May 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 12 May 2022.

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, George Town
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong SAR of the PRC

INVESTOR RELATIONS CONTACT

Tel: +852 2907 7033
Room 1609, Office Tower
Convention Plaza
1 Harbour Road
Wanchai, Hong Kong SAR of the PRC



COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Wuhao (丁伍號)
Ding Huihuang (丁輝煌) (*Chairman*)
Ding Huirong (丁輝榮)
Wang Jiabi (王加碧)

Independent Non-executive Directors

Wu Ming Wai Louie (胡明偉)
Hon Ping Cho Terence (韓炳祖)
Chen Chuang (陳闌)

BOARD COMMITTEES

Audit Committee

Wu Ming Wai Louie (胡明偉)
(*Chairman*)
Hon Ping Cho Terence (韓炳祖)
Chen Chuang (陳闌)

Remuneration Committee

Chen Chuang (陳闌) (*Chairman*)
Wang Jiabi (王加碧)
Hon Ping Cho Terence (韓炳祖)

Nomination Committee

Hon Ping Cho Terence (韓炳祖)
(*Chairman*)
Ding Wuhao (丁伍號)
Wu Ming Wai Louie (胡明偉)

COMPANY SECRETARY

Li Yuen Fai Roger (李苑輝)
FCCA, HKICPA

AUTHORISED REPRESENTATIVES

Ding Wuhao (丁伍號)
Li Yuen Fai Roger (李苑輝)

HEAD OFFICE IN THE PRC

361° Building
Huli High-technology Park
Xiamen, Fujian Province 361009
the PRC

FACTORIES IN THE PRC

No. 165 Qianjin Road
Jiangtou Village
Chendai Town
Jinjiang City, Fujian Province
the PRC

Wuli Industrial Park
She Ma Lu
Jinjiang City
Fujian Province 362261
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1609
Office Tower Convention Plaza
1 Harbour Road
Wanchai Hong Kong SAR of the PRC

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

AUDITOR

Moore Stephens CPA Limited

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

As to Hong Kong law:

Chiu & Partners

PRINCIPAL BANKERS

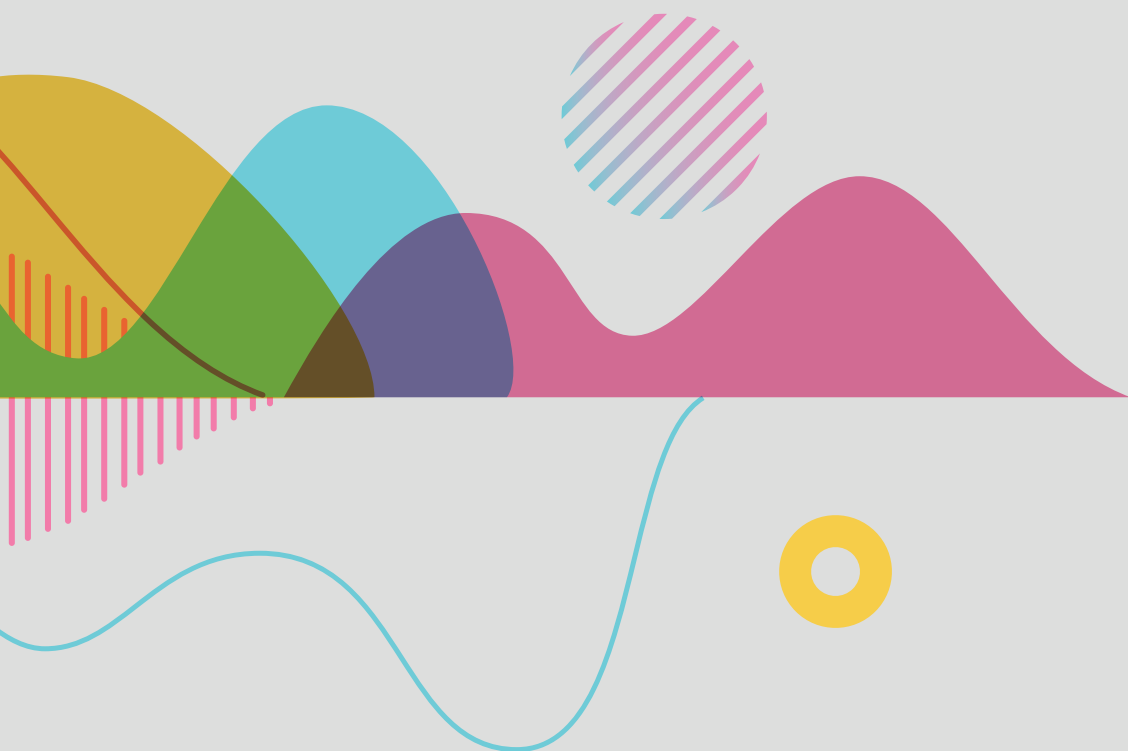
China Construction Bank Corporation
China Citic Bank International Limited
Industrial Bank Co., Ltd.
Industrial and Commercial
Bank of China

COMPANY WEBSITE

www.361sport.com

STOCK CODE

01361



361°

361 DEGREES
INTERNATIONAL LIMITED

REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee comprises three independent non-executive directors of the Company, Mr. Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang. Mr. Wu Ming Wai Louie serves as the chairman of the audit committee of the Company. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The audit committee of the Company has agreed with the external auditors of the Group, Moore Stephens CPA Limited, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2021. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

DIVIDENDS

The Board do not recommend the payment of a final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Wednesday, 18 May 2022. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 May 2022.

PUBLICATION OF 2021 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.361sport.com), and the 2021 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, customers and bankers for their continuous support.

On behalf of the Board of
361 Degrees International Limited
Ding Huihuang
Chairman

Hong Kong, 23 March 2022

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and three independent non-executive directors, namely, Mr. Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang.