

361° | 20

361° 二十周年 | 向上再出发

361 DEGREES
INTERNATIONAL LIMITED

Stock Code: 1361

INTERIM REPORT

2023



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FINANCIAL HIGHLIGHTS

Revenue increased from **RMB3,653.8 million** to **RMB4,311.5 million**

Profit attributable to the equity shareholders increased from **RMB550.9 million** to **RMB703.6 million**

	For the six months ended 30 June		
	2023 (Unaudited)	2022 (Unaudited)	Change
Profitability Data (RMB'000)			(%)
Revenue	4,311,523	3,653,756	18.0%
Gross profit	1,796,490	1,515,644	18.5%
Operating profit	992,781	771,944	28.6%
Profit attributable to equity shareholders	703,646	550,914	27.7%
Earnings per share			
— basic (RMB cents)	34.0	26.7	27.3%
Profitability Ratios (%)			(% point)
Gross profit margin	41.7	41.5	0.2
Operating profit margin	23.0	21.1	1.9
Margin of profit attributable to equity shareholders	16.3	15.1	1.2
Effective income tax rate (Note 1)	22.1	21.3	0.8
Return on shareholders equity (Note 2)	8.4	7.4	1.0
Operating Ratios (as percentage of revenue) (%)			
Advertising and promotional expenses	8.8	9.2	-0.4
Staff costs	7.1	8.3	-1.2
Research and development	3.2	3.1	0.1

Notes:

- (1) Effective income tax rate is equal to the income tax divided by the profit before taxation for the period.
- (2) Return on shareholders equity is equal to the profit attributable to equity shareholders divided by the average of opening and closing equity attributable to shareholders of the Company for the period.

FINANCIAL HIGHLIGHTS

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Change
Assets and Liabilities data (RMB'000)			(%)
Non-current assets	1,104,196	1,152,133	-4.2
Current assets	11,793,659	11,283,764	4.5
Current liabilities	3,002,738	2,905,509	3.3
Non-current liabilities	310,769	112,709	175.7
Equity attributable to equity shareholders	8,860,943	7,943,530	11.5
Non-controlling interests	723,405	1,474,149	-50.9
Asset and Working Capital data			
Current asset ratio	3.9	3.9	
Gearing ratio (%) (Note 3)	4.2	2.4	1.8 percentage point
Net asset value per share (RMB) (Note 4)	4.6	4.6	No change
Inventory turnover days (days) (Note 5)	86	91	-5 days
Trade and bills receivables turnover days (days) (Note 6)	144	147	-3 days
Trade and bills payables turnover days (days) (Note 7)	101	121	-20 days
Working capital turnover days (days)	129	117	12 days

Notes:

- (3) The calculation of gearing ratio is based on the interest-bearing debt divided by the total assets of the Group as at the end of the period/year.
- (4) The calculation of net asset value per share is based on the net assets divided by weighted average number of shares for the period/year.
- (5) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 181 days (for the six months ended 30 June 2023) and 365 days (for the year ended 31 December 2022).
- (6) Trade and bills receivables 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 181 days (for the six months ended 30 June 2023) and 365 days (for the year ended 31 December 2022).
- (7) Trade and bills payables turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 181 days (for the six months ended 30 June 2023) and 365 days (for the year ended 31 December 2022).

FINANCIAL AND OPERATIONAL REVIEW

FINANCIAL PERFORMANCE



Revenue increased by 18.0% to

RMB **4.31** Billion



Revenue from the 361° Kids Business increased by 33.4% to

RMB **911** Million



Revenue from E-commerce business increased by 38.0% to

RMB **1.08** Billion



Profit attributable to equity shareholders increased by 27.7% to

RMB **704** Million



Dividend

HK\$ **6.5** cents

(equivalent to RMB6.0 cents for illustration purpose only)

OPERATIONAL PERFORMANCE



Number of 361° stores in Mainland China stood at

5,642



Number of 361° Kids stores in Mainland China stood at

2,448



Number of 361° international points-of-sale stood at

1,187

NORTHERN REGION

2,682

Number of 361° authorised retail outlets

EASTERN REGION

1,048

Number of 361° authorised retail outlets

WESTERN REGION

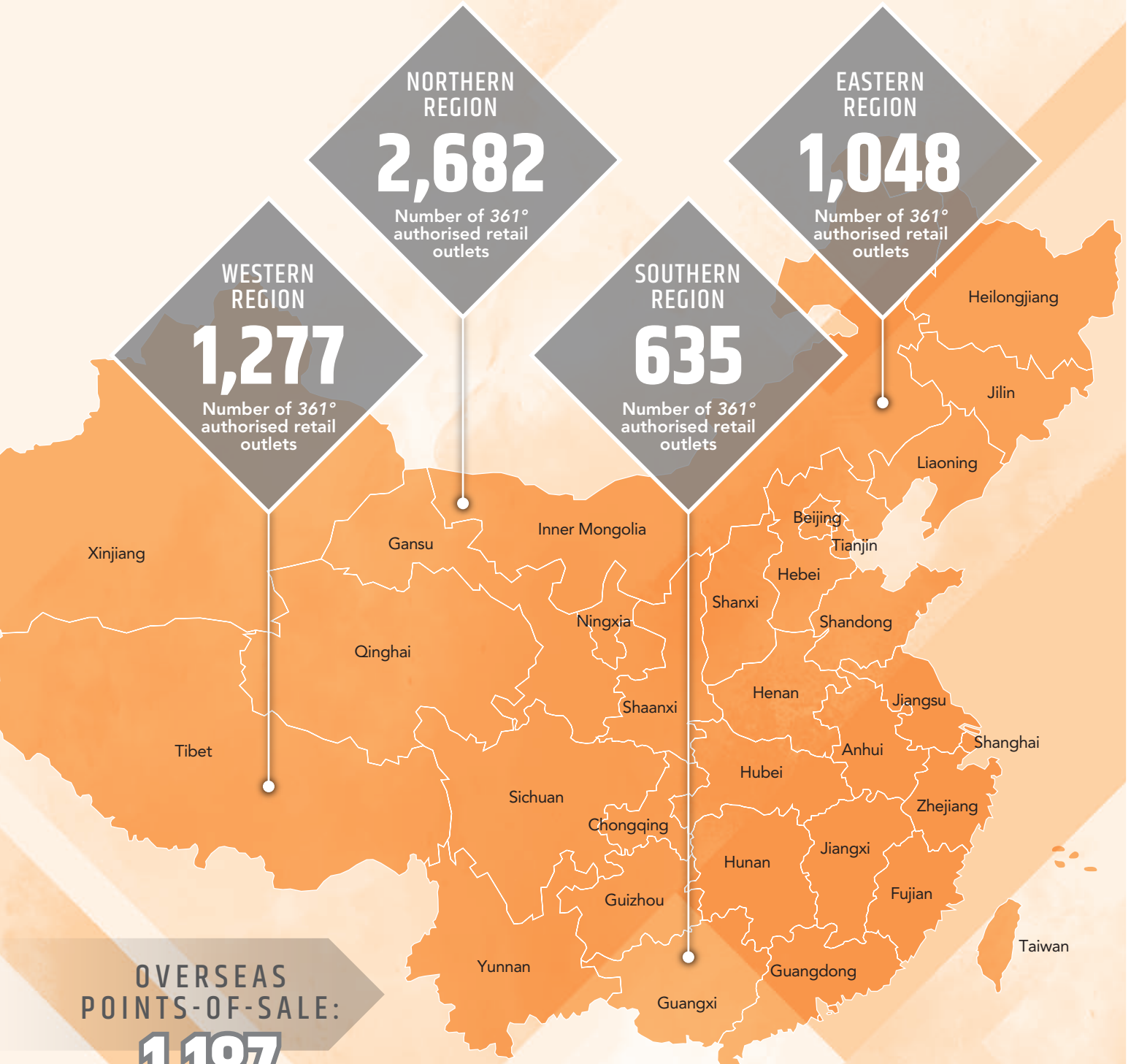
1,277

Number of 361° authorised retail outlets

SOUTHERN REGION

635

Number of 361° authorised retail outlets



OVERSEAS POINTS-OF-SALE:

1,187



5,642

NUMBER OF 361° CORE BRAND STORES IN MAINLAND CHINA

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 interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "361° Group") for the six months ended 30 June 2023 (the "period under review").

With the pandemic outbreak gradually subsiding in an increasingly stabilised international macro environment, the overall economy of the People's Republic of China ("PRC") is on a positive development trajectory, with a continued focus on high-quality development. Amidst the gradual recovery of offline social activities and domestic policies that vigorously promote and encourage physical fitness, there is a noticeable surge in domestic consumer confidence. This has accelerated the release of the immense potential in sports consumption, boosting the prosperity of the sports industry. Driven by the domestic consumption upgrade and digital advancements, the sports industry is witnessing the emergence of new drivers fueling its growth, paving the way for new opportunities in high-quality development. Overall, the sports industry anticipates economic vitality and significant room for growth, as it assumes an increasingly important position and role in the national economy.

During the period under review, the Group recorded a revenue of RMB4.31 billion, representing a year-on-year increase of 18.0%. Profit attributable to the equity shareholders was RMB703.6 million, representing a year-on-year increase of 27.7%. To appreciate the shareholders for their continuing recognition of and support to our Group, the Board has recommended to declare an interim dividend for the period under review of HK6.5 cents (equivalent to RMB6.0 cents for illustration purpose only) per ordinary share ("2023 Interim Dividend"), representing a dividend payout ratio of 17.6%.

DEEPENING THE BRAND BUILDING IN ALL ASPECTS BY FULLY LEVERAGING ON THE STRENGTHS OF BEING A SPONSOR FOR THE ASIAN GAMES

During the period under review, the 361° Group commemorated its 20th anniversary. We are committed to harnessing the vast market potential of the professional sports track, driven by our accumulated industry experiences and improved competitiveness. By steadfastly anchoring ourselves in professional sports, we aim to progressively expand brand resources to deploy a resource matrix encompassing major events, professional sports teams, elite athletes, and brand ambassadors. Looking ahead, in addition to our existing structure, we will further explore high-quality resources that contribute to enhancing our brand, further strengthening our long-term core competitiveness.

While upholding the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛), we have unwaveringly sponsored major sports events, fully committed to promoting sports development in the PRC and even on the global stage over the years. This forms a vital part of our efforts to expand the influence of Chinese brands in the international sports arena. As the first Chinese sports brand to sponsor the Olympic Games and sponsor the Asian Games for four consecutive sessions, 361° takes immense pride in being a pioneer among Chinese national sports brands in intercontinental multi-sport event sponsorship. Through more than a decade, our close collaboration has resulted in extensive connections with the Asian Games, transforming 361° into a unique cultural symbol of the event, and demonstrating a mutually empowering relationship between the development of the two parties. Our dedication to serving major sports events is driven by our passion to provide exhilarating sports experiences to a wider audience, thus contributing to "National Fitness" strategies and the construction of a "Sports Superpower". In doing so, we strive to foster the high-quality sports development in China.

CHAIRMAN'S STATEMENT

As the official partner of the 19th Asian Games Hangzhou 2022 ("Hangzhou Asian Games"), we leveraged our event sponsorship experiences and brand advantages to announce the new brand slogan of "One Degree Beyond Chinese Passion" (中國熱愛多一度). During the period under review, we actively engaged in the preliminary event preparation. As a part of our sponsorship, we provided professional sportswear, accessories and equipment to the torchbearers, volunteers, and other workers at the Hangzhou Asian Games, incorporating elements of technology and "China-Chic" to showcase Chinese culture to the world through our high-quality products. To liven up and increase public awareness of the Hangzhou Asian Games, we introduced offline events, such as the "3# Track — 121 Triple Running Race" (一二一叁眾跑). On the 100th day before the Hangzhou Asian Games, we officially launched the slogan "Be Here First for Passion" (為熱愛我先到場) to initiate the countdown of the Asian Games. To immerse consumers in the vibrant atmosphere of the Hangzhou Asian Games, our 361° Hubin Hangzhou Asian Games flagship store opened on 1 July 2023. This move aimed to promote the culture of the Hangzhou Asian Games, while enhancing the brand image of 361° more effectively. Looking forward, we will continue to enhance the global visibility of our brand by capitalising on the benefits gained through our sponsorship at the Hangzhou Asian Games and the positive effects of the international event.

VIGOROUS BUSINESS GROWTH DRIVEN BY PROFESSIONAL SPORTS AS THE CORE AND SPORTS FASHION AS THE SUPPLEMENT

During the period under review, we remained dedicated to our "consumer-centric" business philosophy, continually aligning ourselves with the brand positioning of being "professional, youthful, and internationalised". We adhered to the dual driving development strategy of "professional sports" and "sports fashion", allowing us to expand high-quality brand resources and utilise resource value efficiently. As consumer demands evolved in the post-pandemic era, we recognised the need to adapt and respond. To address this, we are focused on improving and optimising our multi-category product matrix. We aim to precisely and strenuously expand our coverage of consumer groups, catering to diverse requirements across different levels in order to allow us to meet the ever-changing needs and preferences of our valued customers.

In full recognition of the significance of professional attributes in building sports brands, we are actively expanding our professional brand ambassador system and product lines to enhance the professional functionality of our products. To elevate the professionalism and image of our running products, we launched a series of new running shoes, such as "Flying Flame 2.0" (飛燃2.0), and "Flying Flame 2.5" (飛燃2.5), and signed contracts with well-known Chinese marathon athletes, including LI Bo (李波) and GUAN Yousheng (管油勝), as brand ambassadors. This move aims to enhance the professional image of 361° brand in the running sphere, showcasing exceptional performances of 361° new products in the marathon events. It is worth noting that at the 2023 Xiamen Marathon, the usage rate of 361° running shoes among the "Sub-3-Hour Marathoners" ranked fourth on the brand list, demonstrating its wide recognition for professional functionality and acknowledgement from long-distance runners. To bolster the brand's influence in the basketball industry, we have officially appointed LI Yiyang (黎伊揚) as our new basketball brand ambassador and Flame Series (燃派) player. His personal experiences are expected to inspire more grassroots players, leveraging his influence as a brand ambassador in his professional field. Furthermore, we aimed to enhance basketball enthusiasm among adolescents across the country, investing more resources in the new "Light Up — Junior Basketball Training Camp" (觸地即燃•少年籃球訓練營). This resource expansion aims to cater to adolescents and provide new learning channels for passionate young basketball players. At the same time, we are pleased to share that the brand ambassador Aaron GORDON's performance in the newly launched 361° ZEN. V basketball shoes helped the Denver Nuggets claim the National Basketball Association Championships for 2022-2023 season. This success significantly raised the brand awareness of 361°, drawing public attention and demonstrating the core competitiveness of the product. In addition, our brand ambassador, Spencer DINWIDDIE, embarked on a 8-day "China Tour" (向東燃中國行) in June 2023, reaching out to a wide range of consumer groups and consolidating the fan base, which further enhanced the brand's professional image.

CHAIRMAN'S STATEMENT

Meanwhile, our own-branded IP events, such as “3# Track” (三號賽道), “Light Up” (觸地即燃) and “Women’s Fitness Gym” (女子健身局), were in full swing, rapidly spreading our brand influence. During the period under review, we enhanced the high-performance competitiveness of “3# Track” (三號賽道) by establishing the first “3# Track Club” (三號賽道俱樂部) in Xiamen, which holds a strong influence among serious runners and elite athletes. The upgraded fourth season of “Light Up” (觸地即燃) actively expanded into lower-tier markets. For instance, we capitalised on the “Village Basketball Association” trend by introducing a qualification process and adding juvenile events to the “Light Up” (觸地即燃) series, gradually scaling up the event. These efforts further strengthened our brand influence in related fields. In addition, through various collaboration models, including partnership with diverse community events and world artistic swimming champions JIANG Wenwen (蔣文文) and JIANG Tingting (蔣婷婷), our “Women’s Fitness Gym” (女子健身局) achieved fruitful expansion, currently reaching fourteen cities and continuing to grow steadily.

For the sports fashion category, we closely kept abreast of emerging consumption trends while continually carrying out innovative explorations to enhance our brand influence and awareness among young audiences. During the period under review, we continued to leverage the influence of our global brand ambassador GONG Jun (龔俊), and the sports fashion brand ambassador WANG Anyu (王安宇), to strengthen the bond with the younger audience. As part of our efforts, we collaborated for the third time with the China Fashion Design Top Award winner, LIU Yong (劉勇), to launch a new product release fashion show featuring “Eternity” (恒). This show took centre stage at Shenzhen Fashion Week, fulfilling consumers’ aesthetic aspirations in the new era. In addition to our partnership with Dewu.com to release a limited-edition gift box of skateboarding shoes, we simultaneously launched the “Soaring Cloud” (騰雲) skateboarding shoes of the 361° SKATE UP (SU) series, our first skateboarding shoes created jointly with the skateboarding champion GAO Qunxiang (高群翔). This represents another new attempt and exploration for 361° in the sports fashion sector.

ROBUST GROWTH MOMENTUM FOR CHILDREN’S WEAR WITH ADVANTAGES COMING TO THE FORE

As the future of a nation depends on the physique and health of its children and adolescents, recent policies have placed increased emphasis on raising their awareness of physical fitness. The growing demand for professional sportswear for children and adolescents is driven by growing national awareness of physical exercise, and the shift of sports consumption towards outdoor activities. Taking the lead in the strategic deployment of professional sports resources, 361° Kids displays its increasingly conspicuous first-mover advantage, while sustaining high-speed growth momentum.

With its brand statement “CHASING YOUR LOVE!” (熱愛吧·少年!) and positioning as the “Youth Sports Expert” (青少年運動專家), 361° Kids focuses on the sports market for children and adolescents, making robust efforts in major categories: running, rope skipping, basketball, and football. Our commitment lies in fulfilling various sporting lifestyles among children and adolescents, achieved by establishing a product matrix designed for different demands. After years of dedicated efforts in the professional kids’ wear sector, 361° Kids has harnessed leading advantages in professional sports resources, product matrix, channel scale, and more. Our products efficiently integrate professional functionality, health technology, playfulness and trendy elements. By striking a balance between professional performance and stylish designs, our light sportswear series has gradually improved its penetration rate among children and adolescents.

CHAIRMAN'S STATEMENT

To enhance the competitive edge of our children's wear products, we strengthened the strategic arrangement of professional categories and facilitated market penetration. As a result, 361° Kids professional sporting products experienced a growing market share. Capitalising on the advantages of the 361° brand and organisational experiences in our own-branded IP events, we continued to strengthen 361° Kids' development positioning as the "Youth Sports Expert". This, in turn, boosted sales performance alongside the growing market share and brand influence. During the period under review, we officially delivered the upgraded 2023 rope skipping suits tailored to the Chinese National Rope Skipping Team. These suits cover the two major events of freestyle and speed rope skipping, and precisely fulfil the differentiated athletic requirements. As a result, the Chinese National Rope Skipping Team was successfully empowered to achieve new heights on the world stage, thereby demonstrating the brand image of 361° Kids and its commitment as a professional sports brand.

ACHIEVING HIGH-QUALITY OMNI-CHANNEL DEVELOPMENT BY DEEPENING THE EMPOWERMENT THROUGH SCIENTIFIC INNOVATION

Scientific innovation capabilities are a robust driver for our long-standing brand development, and are the key to enhancing our products' core competitiveness. As of 30 June 2023, we have secured 406 patents and received various prestigious titles, including being recognised as a national advanced technology enterprise, national green factory, exemplary unit of the national sports industry, national industrial design centre, national society service station, advantaged enterprise of national intellectual property, and provincial technology centre. These profound scientific innovation achievements give us the confidence to push our brand development to new heights.

During the period under review, we made steady progress in upgrading our sports products by increasing investments in technological research and development ("R&D"), with the aim of enhancing the functionality of existing professional sports categories. As a result, the Group's product lines continued to receive a variety of domestic and international honour, solidifying our industry-leading position. Guided by the dual driving operational strategy of "professional sports" and "sports fashion", we focused on enriching the racing family running shoe matrix under the principle of professional product function, allowing us to better cater to runners' differentiated needs in different scenarios, as part of 361° consumer upgrade experience. Furthermore, the brand ambassador Aaron GORDON's team claiming the National Basketball Association Championships for 2022-2023 season reaffirmed our prowess in professional basketball shoes. Our professional basketball shoes that have helped our ambassador achieve excellent performance, such as the AG series and "ZEN. V" (禪5), further stimulated shopping frenzies, significantly reinforcing our brand influence among the professional basketball community.

To effectively build our sales channels, we vigorously stimulated the e-commerce momentum while expanding the scale of offline channels. By strengthening the integrated omni-channel development across online and offline channels, we improved the overall operational efficiency, providing consumers with upgraded experiences in all aspects. During the May 1 holiday in 2023, retail sales from 361° core brands and 361° kids' brand reported a year-on-year increase of 47% and 72%, respectively. Additionally, cumulative sales from 361° e-commerce sales omni-channel reported a year-on-year increase of approximately 43% during the "618" shopping festival. In the new retail era, we attach great importance to the dual effects brought by online retail development and online brand image promotion on e-commerce platforms. Product and technology innovation capabilities serve as the core driver for the rapid development of our e-commerce business. We focus on online consumer behaviours, providing products featuring "high attraction, high technology, and high value", aiming to translate our e-commerce business into an important driver for the Group's overall business growth. Regarding offline channels, we steadily increased the number and average size of stores, while continuing to improve the image of the stores. We have also enhanced the operational quality of our stores. Benefiting from the synergistic development of online and offline channels, we have maintained steady and outstanding sales growth, anticipating the long-term healthy growth of our omni-channels.

CHAIRMAN'S STATEMENT

OUTLOOK

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders and stakeholders for their support for 361° Group, as well as extend our thanks to all our dedicated staff members and valued business partners. As we look ahead to the second half of 2023, we anticipate the continuation of restoring momentum within the domestic sports industry, especially following the much-anticipated commencement of the Hangzhou Asian Games. As a “veteran sponsor” of the Asian Games, we eagerly embrace the excellent development opportunities it presents. Being a leading sportswear enterprise in the PRC, 361° Group will remain committed to our “consumer-centric” approach and uphold our brand positioning of being “professional, youthful, and internationalised”. We strive to further promote the brand spirit of “ONE DEGREE BEYOND” (多一度熱愛) to an even wider range of consumer groups. Looking ahead, we will intensify our focus on scientific research and innovation to better empower our endeavours. Alongside our commitment to fulfilling our social responsibilities, we remain dedicated to our practical missions, with the aim of elevating product standards and enhancing our brand influence. As we fortify our original business strengths, the Group will exert every effort to seize new industry opportunities, ensuring the high-quality development of our business, supply chain and relationships with our valued business partner, with the hopes of generating greater value for our shareholders, staff members and society as a whole.

Ding Huihuang

Chairman

Hong Kong SAR of the PRC, 15 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, China rapidly eased pandemic control measures, leading to an accelerated recovery in its macroeconomy. The overall growth was driven mainly by the release of long-suppressed demands in the initial stage, policy support and low base effect. The three-pronged pressure arising from demand contraction, supply chain disruption and weakening expectation were also alleviated to varying degrees, showing a trend of “bottoming out”. According to the National Bureau of Statistics of China (“NBS”), China’s gross domestic product (“GDP”) in the first half of 2023 amounted to RMB59,303.4 billion, representing a year-on-year increase of 5.5%, reaffirming the full resilience and potential of China’s economy.

As China’s economy recovers from the three-year pandemic, consumption has become an increasingly prominent driving force for domestic economic growth. China’s proposal to “focus on expanding domestic demand and give priority to the restoration and expansion of consumption” is expected to provide greater impetus to the vast retail market in the PRC. The gradual resumption of social activities has contributed to the growing consumer sentiment among Chinese residents, accelerating the recovery of the national consumption market. According to the NBS, the total retail sales of consumer goods nationwide during the period under review amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. Specifically, online consumption has maintained a momentum of resilient growth, with online retail sales of physical goods nationwide amounting to RMB6,062.3 billion, representing a year-on-year increase of 10.8%, and accounting for a substantial proportion of 26.6% in total retail sales of consumer goods. Overall, China’s consumption market has been steadily recovering. With the context of “internal circulation” and high-quality economic development, China’s vast market potential is expected to be fully activated, and a complete recovery of the consumption market is on the horizon.



MANAGEMENT

DISCUSSION AND ANALYSIS

As the market size expands, the sports industry is witnessing an increasing potential and growing significance in China's economy, to which the government has also provided strong protection and support through favourable policies. In the past two years, following the successive introduction of policies and measures such as 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)》), the 14th Five-Year Plan for National Health (《「十四五」國民健康規劃》), the Opinions on Building a Higher Level of Public Service System for National Fitness and Physical Activity (《關於構建更高水平的全民健身公共服務體系的意見》) and the Development Plan for the Outdoor Sports Industry (2022-2025) (《戶外運動產業發展規劃(二零二二-二零二五年)》), further improvements were also made within the sports legal system in the PRC. On 1 January 2023, the newly amended Law of the People's Republic of China on Physical Culture and Sports (《中華人民共和國體育法》) (the "Sports Law") officially came into effect, providing legal protection and guiding the sports industry towards higher-quality development. On 25 June 2023, the General Administration of Sport of China, together with 11 other departments, issued the Guiding Opinions on Advancing Sports to Help Rural Revitalization (《關於推進體育助力鄉村振興工作的指導意見》) to deepen the integration of sports, tourism, agriculture and commerce, thereby promoting the prosperity of the sports culture in rural areas. In 2023, the Chinese government stands at a critical juncture, working on the implementation of the 14th Five-Year Plan, while simultaneously striving to expedite the construction of a sports superpower in China. A range of macro policies has been introduced to vigorously advance the development, bringing the nation closer to the vision of "widespread fitness" as well as creating a broader space for the growth of the domestic sports industry.

The three-year pandemic has not only altered people's way of life but also induced structural changes in China's sporting goods industry. The significantly increasing health consciousness among Chinese residents has integrated physical exercise into their daily lives, leading to a continuous expansion in the population engaged in regular exercise. This trend has laid a solid foundation for the scaling up of China's sporting goods market. As the impact of the pandemic gradually subsided in the first half of 2023, both domestic and foreign sports events resumed, with the preparations for the Hangzhou Asian Games entering their final stage. The successful 100-day countdown event for the Hangzhou Asian Games held on 15 June 2023, ignited a sustained enthusiasm for sports consumption among Chinese residents, while also creating an encouraging environment for further promotion of the widespread fitness concept. Additionally, local sports goods enterprises experienced strong growth momentum, bolstered by the increasing cultural confidence among Chinese residents. This was further fueled by the improvement of China's comprehensive national strength, the steady promotion of consumption upgrades within the country, and the rising popularity of the "China-Chic" trend.

The sports goods industry in China is experiencing a surge in new opportunities, business forms, and models, leading to the mainstream adoption of the "Sports+" cross-border integration approach. From an age structure perspective, the post-90s and post-00s generations are leading the change behind the growth of sports consumption. This demographic further demands a broader range of personalised sports products across various levels, contributing to the popularity of niche sports like skateboarding, frisbee and paddleboarding. Furthermore, as the national "dual-carbon" goal steadily advances, public awareness of low-carbon consumption continues to increase. Consequently, "sustainability" elements are now being increasingly incorporated into product innovation and design, becoming a crucial aspect of the sports industry's pursuit of high-quality development.

MANAGEMENT DISCUSSION AND ANALYSIS



Against the backdrop of China's consumption upgrade and the progressive refinement of the fertility policy, the kids' wear and footwear market has maintained a remarkable level of prosperity. In recent years, China has placed a significant emphasis on youth and school sports, issuing a series of relevant policies and regulations. In addition, favourable factors such as the growing middle-class population, the shift of sports consumption scenes to the outdoors, and the rapid release of consumer potential in the underdeveloped markets have all contributed to the robust growth trend of the kids' sportswear and footwear market. At the same time, consumers now prioritise multiple aspects such as aesthetics, fashion, functionality, comfort, and safety when choosing and evaluating products. This shift in preference has led to sports brands in China demonstrating strong competitiveness.

To seize new development opportunities in the industry, the Group takes an active approach to integrate resources and foster innovation by continually deepening its positioning as a "professional, youthful, and internationalised" brand, dedicated to creating more valuable professional sports products. By remaining flexible and agile, the Group strives



to enhance product quality catered to match dynamic consumer demands. Adhering to its unwavering passion for the sports industry, the Group aims to showcase its dedication as a national enterprise while continuously elevating its brand value and influence. Through these efforts, the Group aspires to transform into a globally recognised and highly esteemed sports brand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

361° Brands and Positioning

The 361° Group stands as one of China's leading integrated sportswear companies, boasting a vertically integrated industry. Since its inception in 2003, 361° has been adhering to its brand spirit of "ONE DEGREE BEYOND" (多一度熱愛), committed to becoming a respected sports brand across the globe, while inspiring the individual enthusiasm for sports by providing high-value professional sports products to the public.

Targeting the mass market, 361° core brand focuses on providing professional and high-performance products in the categories of running, basketball, comprehensive training, and sporting lifestyles, to meet the needs of adults consumers for professional sports and sports lifestyles.

Additionally, the independent operating business unit, 361° Kids focuses on the sports market for children and adolescents, and positions itself as the "Youth Sports Expert" (青少年運動專家) and embraces the brand statement "CHASING YOUR LOVE!" (熱愛吧·少年!).

As consumer demand for sporting goods evolves, we have witnessed a shift from purely functional products for sports to composite products that are now part of everyday fashion. This change, driven by younger generations expressing their personalities and attitudes towards life through their outfits, coupled with the popularity of the "China-Chic" trend, presents significant opportunities for the Group's businesses. Consistently positioned as a "professional, youthful, and internationalised" brand, 361° remains dedicated to developing its core brand. The Group's operational strategy emphasises "professional sports" and "sports fashion", as 361° strives to expand its consumer base and amplify its brand influence while satisfying core customers' demands. These efforts are crucial to the Group's growth and business development.



MANAGEMENT DISCUSSION AND ANALYSIS

Efficient and Flexible Business Model

In its core operations, 361° engages in brand management, R&D, design, manufacturing, and distribution of products. The Group strategically adopts a distribution business model, partnering with first-tier exclusive distributors responsible for distributing 361° branded products in specific and exclusive geographical regions. Subject to approval from the Group's retail channel management department, these distributors have the option to directly open stores or further distribute the 361° branded products to authorised retailers. This approach enables the Group to focus its resources on brand development, management, R&D and design, and other crucial areas, while maintaining stable cooperation with competent distributors and authorised retailers to efficiently launch products.

The Group has established a comprehensive distributor management system to ensure the accurate representation of the brand concept, product functions, features and designs at each retail outlet segment. Yearly agreement renewals with exclusive distributors cover key terms such as geographical exclusivity, product exclusivity, payment terms, order requirements and store management. Through various training programmes held annually, the Group ensures that distributors and authorised retailers possess up-to-date knowledge about the latest technology and products, enabling them to assist consumers in making well-informed and well-suited purchases. Furthermore, the Group insists on maintaining consistent store images across its nationwide distribution network. The Group strictly monitor product displays and promotion materials in each store to ensure effective marketing campaigns in different timelines, guaranteeing standardised and high quality sales outlets across the country.

The Group's systematic order management model ensures the effective supply of goods, transparent inventory control and stable retail prices. The Group hosts four trade fairs each year to showcase new season's products, inviting all distributors and authorised retailers to attend. The orders from authorised retailers are consolidated by their first-tier distributors, who then place these orders with the Group. The Group reviews the orders and provides suggestions to improve product selection, maintain healthy inventory levels, and ensure stable discounts at the retail end, supporting retailers' profitability and sustainable development, thus achieving a mutually beneficial situation. These trade fairs are generally held six months ahead of relevant product launches to allow sufficient time for production and delivery, effectively enhancing sales visibility. During the period under review, the Group organised two trade fairs for products under the 361° brand, namely the 2023 Winter Trade Fair and the 2024 Spring Trade Fair. The trade fairs achieved robust results, with a steady year-on-year increase in order number.

During the post-pandemic era, the Group proactively collaborated with distributors and authorised retailers to address relatively subdued demand for discretionary products among consumers. The Group continued to control operating costs and expenses while improving operational efficiency through supply chain optimisation, logistics cost control and information channels integration. The Group also effectively utilised social networking platforms such as WeChat mini programme, Pinduoduo (拼多多), and Tik Tok, breaking geographical boundaries to provide customers with better and more flexible experience, thus creating incremental opportunities for authorised retailers in the post-pandemic era.

MANAGEMENT DISCUSSION AND ANALYSIS

361° Core Brand's Retail Network in the PRC

As of 30 June 2023, the 361° brand's retail network consisted of 5,642 stores, representing a net increase of 162 stores compared to 31 December 2022. Geographically, approximately 76.3% of the stores were located in third- and lower-tier cities in the PRC, while 4.9% and 18.8% of the stores were in first- and second-tier cities respectively. The Group encourages its distributors and authorised retailers to continue expanding by opening new stores in shopping malls and department stores to expand store size and upgrade store image to optimise the distribution channel mix.

Upholding the concept of "ONE DEGREE BEYOND" (多一度熱愛), the Group continues to adopt a consumer-centric approach in providing the best shopping experience for consumers, capitalising on new trends in consumption habits. As of 30 June 2023, the number of the latest ninth-generation image stores under the 361° brand increased to 3,182, accounting for 56.4% of the total number of the Group's stores, representing an increase of 7.8% as

compared to 31 December 2022. These ninth-generation image stores adopted light and simple decorations with various props, which not only enrich the shopping experience but also reduce the decoration cost, enhancing stores' efficiency and brand image.

Meanwhile, in the post-pandemic era, the Group has emphasised the simultaneous development of its physical stores, online e-commerce operations and new retail channels to upgrade the omni-channel consumption experience. During the period under review, the smart-retail system for physical stores was successfully implemented, expanding its coverage to more stores. This enabled the timely collection of consumer data, which in turn feeds into product design R&D, pricing and marketing strategies. The Group offers a comprehensive and attractive membership system, providing various membership privileged to target consumer groups. At the same time, the Group has refined the operation and management of its customer relationships to effectively handle larger groups of members and enhance customer stickiness.



MANAGEMENT DISCUSSION AND ANALYSIS



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

	As at 30 June 2023		As at 31 December 2022	
	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⁾	1,048	18.6	998	18.2
Southern region ⁽²⁾	635	11.3	604	11.0
Western region ⁽³⁾	1,277	22.6	1,247	22.8
Northern region ⁽⁴⁾	2,682	47.5	2,631	48.0
Total	5,642	100	5,480	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.

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Brand Promotion and Marketing

The Group generally budgets 10% to 12% of its annual revenue for brand promotion and marketing. The Group continues to invest in its brand building, with a focus on official sponsorships for large-scale international sports events and China national teams, rapidly enhancing the international influence. Having sponsored the Asian Games for four consecutive times in the past 13 years, such continuous support has established the strong connection between 361° and the Asian Games, symbolising its prominent position in the sports industry, and further elevating its brand value. The new slogan of 361° brand for the Asian Games — “One Degree Beyond Chinese Passion” (中國熱愛 多一度) reflects its determination to contribute to the high quality development of China’s sports industry and showcases China’s passion for the development of world sports. On 15 June 2023, being the 100th day before the Hangzhou Asian Games, 361° officially introduced the slogan of “Be Here First for Passion” (為熱愛 我先到場) to initiate the countdown, actively engaging in the preliminary event preparation, to ensure the successful opening of the Hangzhou Asian Games. In the future, 361° will continue uniting the passion of China to contribute to the development of Chinese and international sports events, demonstrating China’s soft power to the world.

Alongside the sponsorship of large-scale sports events, the Group also strategically formulates marketing campaigns that closely follow consumer habits and preferences. With further integration of brand communication and consumer preferences, coupled with fashion trends and professional functionality, the series of co-branded products with renowned IPs received overwhelming responses from the young generation. The 361° co-branding model has proven to be an effective strategy. During the period under review, the Group successfully launched co-branded series with well-known IPs, including Three-Body Problem, KAKAO FRIENDS, SpongeBob, Lay’s, and Sanxingdui (三星堆), and achieved strong sales performance. In terms of co-branded IP cooperation, 361° has been exploring innovative collaboration models with brands, IP owners and designers, injecting endless creativity into product designs.



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361° actively selected celebrity ambassadors to deeply develop the resources for endorsement, elevating product awareness to new heights and boosting sales performance. In the running sector, apart from collaborating with China's national triathlon team, the Group sponsors prominent athletes like LI Zicheng (李子成), the winner of China and Asia Marathon Majors, as well as many other elite marathon runners including LI Bo (李波), GUAN Yousheng (管油勝), CHENG Qianyu (程乾育), GUAN Siyang (關思揚) and ZHAO Na (趙娜). These sponsorships have significantly enhanced the brand's professional image in the running community through their runner's astounding performances in marathon events. Additionally, the Group successfully promoted and organised the "3# Track" (三號賽道) event in major cities across China. In April 2023, 361° Group established the first national "3# Track Club" (三號賽道俱樂部) in Xiamen, creating an offline platform to interact and exchange ideas, resulting in a surge in membership for running groups and further enhancing the brand's reputation among runners.

In the basketball sector, the Group has signed contracts with the international superstars Aaron GORDON and Spencer DINWIDDIE, along with the well-known Chinese professional basketball player Kyranbek MAKEL. In addition, the Group contracted LI Yiyang (黎伊揚) and LV Xiaoming (呂曉明) as its new basketball product ambassador and Flame Series (燃派) player and head coach for 361° Youth Basketball, respectively. The collaboration with these ambassadors has effectively promoted the brand's professionalism to the public. On 13 June 2023, Aaron GORDON's exceptional performance helped the Denver Nuggets claim the National Basketball Association Championships for 2022–2023 season, turning the AG series, ZEN. V (禪5), and other basketball footwear into best sellers. From 12 June to 20 June 2023, 361° launched the Spencer DINWIDDIE China Tour, garnering extensive exposure across all platforms and further solidifying the brand's image of professionalism. At the same time, the Group has also successfully created its own-brand basketball event "Light Up" (觸地即燃), motivating numerous players and teams and enhancing its influence in the basketball market. The official launch of the fourth season of "Light Up" (觸地即燃) in April 2023, specifically included the youth group, further expanding the event's coverage across various cities and establishing it as one of the most popular brand organised basketball events in China during the period under review.



MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the Group sponsored China's national sports teams such as China National Triathlon Team, China National Women's Water Polo Team, China National Karate Team and China National Rope Skipping Team, to reinforce the Group's image as a brand known for functional sports products.

Regarding sports fashion, the Group signed a contract with GONG Jun (龔俊), a well-known young Chinese actor, to engage him as the global brand ambassador. As one of the most popular actors in the domestic entertainment industry, GONG Jun exudes a sporty and fashionable persona, complemented by his sunny disposition and commendable exercise habits. His unwavering passion and dedication to his acting career align seamlessly with the brand positioning and spirit of 361°, that is, "ONE DEGREE BEYOND" (多一度熱愛). GONG Jun's exclusive series of "Track" (軌跡) 2.0 series, "Track" (軌跡) 3.0 series and "Track" (軌跡) 4.0 series launched in June 2022, November 2022 and June 2023, triggered a buying frenzy among consumers.

In 2023, the Group continues its multidimensional exploration in the field of sports fashion to enhance interactions with the younger audience. On 15 April 2023, 361° collaborated for the third time with China Fashion Design Top Award winner LIU Yong (劉勇) to co-create a new product release fashion show featuring "Eternity" (恆), at Shenzhen Fashion Week. This presented a new era of aesthetics blending oriental art and modern trends. In May 2023, the Group collaborated with Dewu.com to release a limited-edition gift box of skateboarding shoes. Furthermore, we launched the "Soaring Cloud" (騰雲) skateboarding shoes, as part of the 361° SKATE UP (SU) series, the Group's first-ever skateboarding shoes created jointly with the skateboarding champion GAO Qunxiang (高群翔). By tapping into emerging consumer trends, these efforts expanded the product lines in the sports fashion sector.



MANAGEMENT DISCUSSION AND ANALYSIS



The following table sets out all of the Group's sporting event sponsorships in recent/future years:

Sponsorship period	Sporting events	Capacity
2020–2023	The 19th Asian Games Hangzhou 2022	Official Partner
2022–2024	China Zheng-kai International Marathon 2023	Global official partner and officially designated sports wear supplier
2023	OC Marathon	Exclusive Footwear Supplier
2023	Innsbruck Alpine Trailrun Festival	Exhibitor
2023	World Mountain and Trail Running Championships	Exhibitor
2023	Ironman European Championship Frankfurt	Exhibitor
2023–2024	The ROC Triathlon	Running Shoe Partner
2023–2024	Liverpool Half Marathon	Major Sponsor
2023–2024	Wiesbaden Marathon	Official Partner
2023–2025	Surf City Marathon	Presenting Sponsor

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

Name of sporting team
China National Triathlon Team
China National Karate Team
Mongolian Delegation
Turkmen Delegation
Tianjin Municipal Swimming Team
China National Women's Water Polo Team
Kyrgyz Delegation
Tajik Delegation
Guangdong Provincial Swimming Team
TEAM M23 (China's professional boxer training and brokerage team)

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

Athletes

Name of spokespersons	Sports	Key achievements in recent years
CHENG Qianyu 程乾育	Running	3rd in Men in the 2023 Jilin City Marathon Half 3rd in Men in the 2022 Hangzhou Marathon 2nd in Men in the 2022 Jiande Xin'an Jiang Half Marathon 3rd in the 2021 HTC International Hainan Relay 3rd in the 2021 HTC International Zhangjiakou Relay 1st in Men in the 2020 Changzhou West Taihu Lake Half Marathon 1st in Men in the 2020 Gaochun Cittaslow International Marathon
GUAN Siyang 關思揚	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
GUAN Yousheng 管油勝	Running	1st in Men of China in the 2023 Baoding Marathon 1st in Men of China in the 2023 Qingdao Marathon 1st in Men of China in the 2023 Huai'an Marathon 1st in Men of China in the 2023 Suqian Marathon 1st in Men in the 2022 Tianshan Marathon 1st in Men in the 2022 Chengdu Marathon 1st in Men in the 2022 Macao International Marathon 2nd in Men in the 2022 Shanghai Marathon 1st in Men in the 2021 Xi'an Marathon 1st in Man in the 2021 Hengshui Marathon 1st in Men in the 2020 Shaoxing Marathon 1st in Men in CHANDO HIMALAYA ENERGY ULTRA TRAIL 2020- LONGXUE 100 (50km) 1st in Men in Loushan Warrior 2020
LI Bo 李波	Running	2nd in Men of China in the 2023 Chongqing Marathon 1st in Men in the 2023 Yongchuan Half Marathon 2nd in Men in the 2022 Macao International Marathon 1st in the 2022 Cuiyunshan SnowRun Challenge Race 1st in Men in the 2021 Yongchuan Half Marathon 1st in Men in the 2020 Chongqing Marathon 3rd in Men in the 2020 Xi'an Half Marathon 1st in Men in the 2020 Chongqing Jiangjin Oriental Love Half Marathon 1st in Men in the 2020 Three Gorges Half Marathon

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Name of spokespersons	Sports	Key achievements in recent years
LI Zicheng 李子成	Running	1st in Men in the 2022 Hengdian Marathon 1st in Men in the 2022 Ningbo Marathon 1st in Men in the 2022 Taihu Lake Tuying International Marathon 1st in Men in the 2022 Tonglu Half Marathon 1st in Men in the 2021 Wuxi Marathon 1st in Men in the 2021 Zaozhuang Marathon 1st in Men in the 2021 Yellow River Estuary (Dongying) Marathon 1st in Men in the 2020 Wuxi Marathon 1st in Men in the 2020 Dongfeng Nissan Chengdu Marathon
MA Liangwu 馬亮武	Running	1st in Age Group of the 2019 C&D Xiamen Marathon 1st in Age Group of the 2019 Chengdu Panda Marathon 1st in Age Group of the 2019 Dongfeng Renault Wuhan Marathon
ZHAO Na 趙娜	Running	2nd in Women in the 2023 Suzhou Jinji Lake Half Marathon 2nd in Women in the 2022 Ningbo Marathon 2nd in Women in the 2021 Rizhao Half Marathon 1st in Women in the 2021 Yellow River Estuary (Dongying) Half Marathon 1st in Women in the 2020 Ningbo Dongqian Lake Half Marathon 1st in Women in the 2020 Wencheng Marathon 1st in Women in the 2020 Taizhou Half Marathon 1st in Women in the 2020 Meishan Bay Half Marathon



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Name of spokespersons	Sports	Key achievements in recent years
Aaron GORDON	Basketball	International basketball superstar A player of The NBA Champions for 2022-23 season
Kyranbek MAKEL 可蘭白克•馬坎	Basketball	Chinese professional basketball player A player of The CBA Champions for 2016-17 season
LI Yiyang 黎伊揚	Basketball	Chinese professional basketball player
Spencer DINWIDDIE	Basketball	International basketball superstar
WU Zejian 吳澤健	Basketball	Famous Chinese grassroots player Xiamen AG brand manager
GONG Li 龔莉	Karate	Karate World Champion Bronze Medal in Women in the 2020 Tokyo Olympics Karate over 61kg
GAO Qunxiang 高群翔	Skateboarding	Champion in Skateboarding Men's Street of the 14th National Games of the People's Republic of China
REN Qing 任晴	Skateboarding	Champion in Women in the 2019 War Horse Longboard Master Competition
Paraboy 傘兵	E-sports	Champion in the 2021 PMGC PEL Final Championship The Most Popular Player/Most Valuable Player in the 2021 PEL Mobile Player of the Year of the 2021 Esports Awards The Best Freelancer of the 2021 PEL S4 Regular Season Champion/MVP/Scoring Leader of the 2020 PEL S2 Season MVP of the 2020 PEL S2 Regular Season Champion/MVP/"Men" of the 2020 HUYA Mengnan Cup Third Place/MVP/Scoring Leader of the 2020 PEL S1 Season
Alessandro GIACOBACCI	Running	Champion of the 2022 Italian Marathon
Donald HILLEBREGT	Triathlon	National champion in the 2019 NED Half Triathlon 3rd in the 2019 Rabat ATU Triathlon African Cup
Niklas LUDWIG	Triathlon	Amateur Winner at the Challenge Gran Canaria 2023 First Winner in the 2023 Regionalliga Bayern, Vice-champion of the Bavarian Championship (Elite) (2023地區聯賽首勝·巴伐利亞錦標賽副冠軍(精英))
Thomas CREMERS	Triathlon	4th in the U23 Age Group of the 2020 Punta Umbria ETU Duathlon European Championships 6th in the 2019 NED Cross Duathlon National Championships
Tom OOSTERDIJK	Triathlon	Champion in the Age Group of the Ironman New Zealand 2020

Celebrities

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

MANAGEMENT DISCUSSION AND ANALYSIS

361° Kids Business

During the period under review, 361° Kids business segment recorded a revenue of RMB910.9 million, accounting for approximately 21.1% of the Group's total revenue, representing a year-on-year increase of 33.4%.

Following the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) of the 361° core brand, 361° Kids has adopted the inspiring brand statement of "CHASING YOUR LOVE!" (熱愛吧·少年!), and has been positioned as a "Youth Sports Expert" (青少年運動專家) catering to the market for children's and adolescents' sporting goods. With a strong commitment to meeting the diverse needs of young sports enthusiasts, 361° Kids continually expands its product series, improving sports functionality, technological attributes, and expanding sales channels. As a result of these efforts, the Group achieved steady growth in the kids' sportswear segment, solidifying its leading position in the kids' sportswear market within the PRC.



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361° Kids leverages various premium sporting resources to constantly enhance its brand image as the “Youth Sports Expert” (青少年運動專家). This focus on professionalism reflected in its dedicated efforts towards sports such as running, rope skipping, basketball, and football, leading to a growing proportion of professional sporting products. To enrich its product matrix, 361° Kids continues to expand its campus presence while upgrading and incorporating leading technologies. Notably demonstrated by the launch of new products equipped with cutting-edge technology, such as “Leaping Antelope Rope Skipping Shoes” (閃羚跳繩鞋) 3.0 and 4.0, “FUNFAZE 3.0” (彈力簧跑鞋3.0) and “Wind Max 4.0” (風透跑鞋4.0). 361° Kids places great emphasis on meeting the practical needs of kids and adolescents during exercise. Based on the theory of ergonomics and conducting guided by human movement science, 361° Kids has developed a well-established technology system, catering to various differentiated functional needs of the youth throughout the years. This has led to the launch of innovative technologies such as FUNFOAM technology, easy decontamination technology, cooling technology and graphene heating technology to meet the demands of sporting lifestyles of children and adolescents in different scenarios. Moreover, its mid- and high-priced sports products extensively apply Rudolf silver ion antibacterial technology (魯道夫銀離子抑菌科技), offering features like anti-odor, freshness, cool and comfortable, safety, eco- friendliness, universality, durability and highly antibacterial properties, all designed to safeguard the health of children and adolescents during sports activities. Balancing childlike interest with fashion, the product design seamlessly integrates trendy elements, while ensuring the functionality of the sportswear remains intact. In 2023, 361° Kids successfully launched co-branded IP bestsellers, including tank-tread shoes, jade-rabbit-themed shoes, dinosaur-themed shoes, and fruit-themed shoes. In addition, 361° Kids launched the “Light Up — Junior Basketball Training Camp” (觸地即燃•少年籃球訓練營) and organised the “Light Up — Junior Basketball Game” (觸地即燃•少年賽), drawing from adult basketball apparel resources and the experiences in organising own-branded IP events. The appointment of LV Xiaoming (呂曉明) as the head 361° youth basketball coach, the DINWIDDIE Youth Basketball Training Camp (丁威迪探營少年籃球訓練營) and other events further supported the development of training camps.



As at 30 June 2023, there were a total of 2,448 points-of-sale offering 361° Kids products, making a net increase of 160 points-of-sale compared to as of 31 December 2022. Among these, 419 points-of-sale were located at 361° brand’s authorised retail stores, selling both 361° core brand products and 361° Kids products. Geographically, approximately 69.6% of the points-of-sale were located in third-tier and lower-tier cities in China, while 6.2% and 24.2% were respectively located in first- and second-tier cities in China. As of 30 June 2023, the number of the latest fourth-generation image stores of 361° Kids increased to 1,939, representing 79.2% of the total number of 361° Kids stores, showcasing a 7.4% increase from 31 December 2022. The overall design of these stores perfectly aligns with the current trends and 361°’s unique brand images. The combination of distinctive thematic displays and well-planned shopping routes have effectively improved shopping experience of consumers.

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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 30 June 2023		As at 31 December 2022	
	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⁾	476	19.5	421	18.4
Southern region ⁽²⁾	346	14.1	329	14.4
Western region ⁽³⁾	515	21.0	476	20.8
Northern region ⁽⁴⁾	1,111	45.4	1,062	46.4
Total	2,448	100	2,288	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.

361° Kids Collaborative Resources:

Sponsorship period	Partner	Capacity
2019–2024	Beijing Zhonghe Guoan Junior Training	Official Partner and Exclusive Equipment Cooperative Brand
2022–2024	China National Rope Skipping Team	Official Partner
2023–2024	Shandong Taishan F.C. Junior Training Camp (山東泰山青少訓)	Official Partner and Exclusive Equipment Cooperative Brand
2023–2026	LV Xiaoming 呂曉明	361° Brand Ambassador

During the period under review, 361° Kids brand hosted two trade fairs, which were the 2023 Winter Trade Fair and the 2024 Spring Trade Fair. The number of orders achieved solid growth.

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Upon becoming an official partner of the China National Rope Skipping Team in April 2022, 361° actively promoted the development of rope skipping among adolescents. This commitment involved continuous product research and development, sports event promotion and community building, aimed at fostering a stronger and healthier lifestyle. On 28 June 2022, within just one year after delivering the first batch of sports equipment, 361° once again provided the Chinese National Rope Skipping Team with the upgraded 2023 rope skipping suits specifically tailored for competing national teams. The suits included the cutting-edge “Leaping Antelope Rope Skipping Shoes”, rope skipping uniforms, and other rope skipping equipment, meticulously designed to offer peak performance during training and competitions. For the freestyle and speed rope skipping events, 361° provided the “Leaping Antelope” 3.0 and “Leaping Antelope” 4.0 versions of rope skipping shoes respectively. The “Leaping Antelope” 3.0 was designed to enhance freestyle rope skipping, while “Leaping Antelope” 4.0 was optimised for competitive speed skipping, showcasing the unwavering dedication of 361° to equipping athletes with the finest gear to maximise their performance.

361° International Business

During the period under review, the Group reported 1,187 points-of-sale in overseas markets. During the period under review, the 361° International Business recorded revenue of RMB83.3 million, accounting for approximately 1.9% of the Group’s total revenue, representing a year-on-year increase of 66.9%.

Since 2015, the Group has actively expanded its presence in international markets, leading to an enhanced brand recognition worldwide. As we navigate the post-pandemic era, the Group will further focus on steady development in overseas markets. Moving forward, the Group will actively strengthen their foothold in Europe, countries and regions along the Belt and Road Initiative and other emerging market with significant growth potential. These strategic efforts will enable 361° to amplify its influence in overseas markets.

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The outstanding performance of international products under the 361° brand has garnered international acclaim, rivalling that of well-established global brands. Over the years, various international awards have recognised the exceptional quality of 361° products. During the period under review, 361° - CENTAURI running shoes earned a

prestigious accolade as one of the five best training shoes for 2023 by the renowned United States “Runner’s World” magazine. As 361° products continue to garner more endorsements, their excellence in performance gains increasing recognition in the global arena.

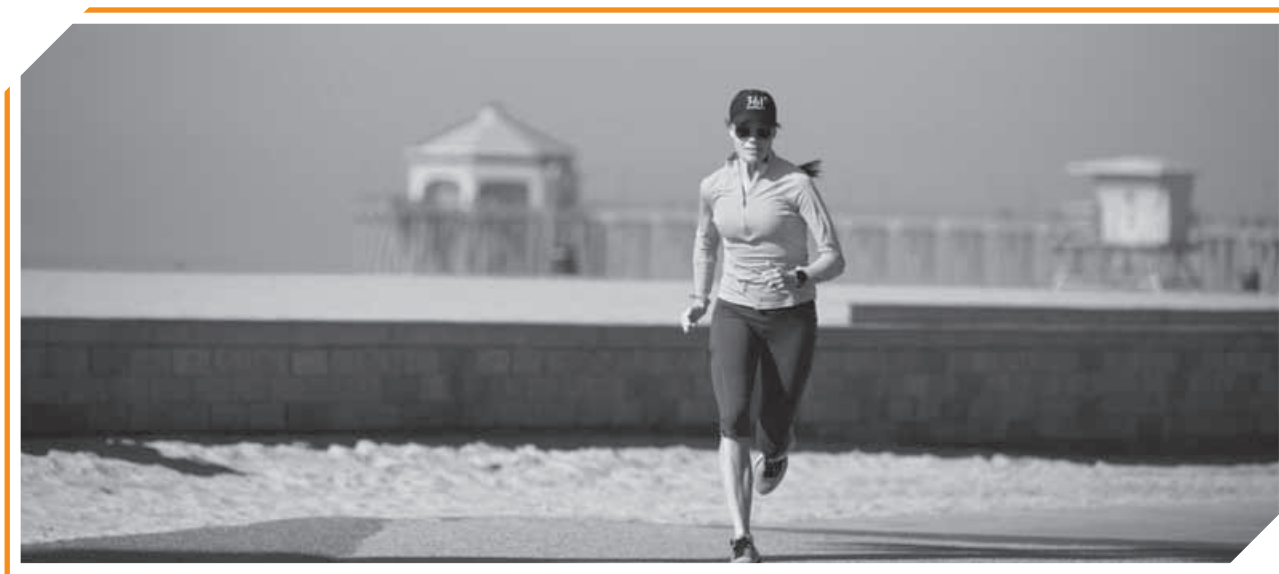
The following table sets out key awards won by the Group during the period under review:

February	The international product 361-CENTAURI was recognised as one of the five best training shoes for 2023 by the “Runner’s World”, an authoritative magazine in the United States;
March	The international product 361-CENTAURI was included in the list of winners in sportswear design under the “Innovation” and “Walking & Running” categories by FIT Sport Design Awards in Switzerland, and also won the Best Value Running Shoes Award from Runner’s World in Germany;
June	The international product 361-CENTAURI was rated as Hot Deal Award for its quality/price ratio by Test 4 Outside, a professional testing website in France.

E-Commerce Business

During the period under review, the Group’s revenue from the online-exclusive products of the e-commerce business amounted to RMB1,079.2 million and accounted for approximately 25.0% of the Group’s total revenue, representing a year-on-year increase of 38.0%.

Our e-commerce business serves as a multifunctional platform, playing a vital role as both a significant sales channel for branded products, as well as a major platform to build our brand image. 361° aims to provide consumers with products that boast appealing aesthetics, advanced technology, and exceptional value through their e-commerce channels. This approach acts as a catalyst to propel 361°’s sales growth and further elevating the perception of its brand.



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The Group conducts its e-commerce business primarily through renowned e-commerce platforms in China, including Tmall, Taobao, JD.com, and Vip.com, as well as other new platforms such as Pinduoduo (拼多多), Tik Tok, and Xiaohongshu (小紅書). Compared with physical stores, the e-commerce sector serves as round-the-clock sales channel, enabling the Group to continuously promote products 24/7, and expand its nationwide presence rapidly. Currently, the Group mainly offers online-exclusive products on these online platforms, designed to embody “high-performance”, “attractive appearance” and “personality”, setting them apart from products available in physical stores. The e-commerce businesses have demonstrated excellent performance in coordinating production and sales activities, as online-exclusive products are manufactured within their own supply chain, ensuring a responsive flow of e-commerce products according to market demand. Additionally, the e-commerce sector can assist the Group’s distributors and authorised retailers in reducing off-season inventory level.

Benefiting from the technological innovation of their products, 361° e-commerce business has grown rapidly. By analysing market preferences using big data-driven insights and leveraging robust research and innovation capabilities, the Group precisely develops online-exclusive products to cater to online customers. 361° e-commerce business capitalised on opportunities presented by various online sales seasons to debut the co-branded IP products that are selected items and bestsellers, generating a sales frenzy that promote the interaction between offline and online sales. Focused on improving core profit channels and operational capabilities, 361° has enhanced marketing through multidimensional aspects, such as focusing on various platforms both on and off site to increase the penetration rate of the target groups, boosting content originality to increase brand influence and followers’ engagement, and implementing vertical community marketing to cultivate potential customers.



In the future, the Group will accelerate the digital transformation of its e-commerce platform, leveraging big data to drive business growth. It aims to organise marketing events for best-selling product categories such as running shoes and basketball shoes; upgrade the e-commerce interface design and operation by recruiting talented individuals and increase investment in the development, design and operation of online-exclusive products while continually upgrading the supply chain.

MANAGEMENT DISCUSSION AND ANALYSIS

Production

During the period under review, the Group maintained its production policy, emphasising a balanced approach between in-house production and outsourcing to original equipment manufacturers (“OEMs”) to optimise costs, production scheduling and safeguard intellectual property rights. Concerning footwear products, the Group increased manufacturing to approximately 42.0% of its footwear products at its two factories at Jiangtou and Wuli in Jinjiang, Fujian Province, the PRC, while the remaining portion is outsourced to quality OEMs. 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 9 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 22.0% of the Group’s products to meet the market demand whilst the production of the remainder is outsourced to other OEMs. The Group is committed to upgrading its supply chain system, continually enhancing market-responsive capabilities and efficient production costs control to support overall business development. In addition, the Group actively encourages its core suppliers to expand production capacity, optimise capacity distribution and relocate production facilities in a timely manner. Such efforts have effectively supported and guided the development and growth of supply chain partners, effectively addressing challenges like energy, recruitment, raw material costs and unforeseen events, thereby providing better and more stable production services to the Group. As a result of these collaborative efforts, the Group and its supply chain partners have achieved synergetic development, establishing a long-term and solid strategic partnership that brings multilateral benefits for all stakeholders.

Research and Development

During the period under review, the Group’s expenditure on R&D accounted for 3.2% of the Group’s total revenue. The Group’s dedicated R&D centres have been instrumental in developing a diverse range of products that cater to consumers’ tastes and demands, aligning with its positioning as a professional sports brand infused with fashion elements. Moreover, to emphasise its unique identity, the Group has set up a dedicated design team for each production line. The products are designed by experienced, trend-following personnel, ensuring that the products embody the perfect blend of sports professionalism and in-vogue fashion, allowing consumers to shine in the sport arena with most stylish and performance-driven attire.

Specifically, the Group’s research centre in Wuli Industrial Park, Jinjiang city, Fujian Province, has advanced capabilities and equipment to carry out testing. It has been recognised with various titles such as a national advanced technology enterprise, national green factory, exemplary unit of the national sports industry, national industrial design centre, national society service station, National Intellectual Property Advantage Enterprise (國家級知識產權優勢企業) and provincial technology centre. This research centre supports the research and innovation experiments of intelligent sports equipment, structural sports equipment, functional sports equipment, and functional material R&D.

MANAGEMENT DISCUSSION AND ANALYSIS

361° brand believes that its core competitiveness lies in the continuous launch of self-developed products empowered by the latest technologies. Following the launch of “Flying Flame” (飛燃) professional carbon-plated running shoes in March 2021, 361° once again collaborated with the China Marathon Majors winner LI Zicheng (李子成) to introduce its latest top-tier running shoes “Furious” (飛馳) tailored for elite runners in March 2022. The “Flying Flame II” (飛燃 II), an upgraded iteration of the “Flying Flame” (飛燃) professional speed carbon running shoes, was launched as the bestseller this year, and it won the “Best Sports Technology” award at the 9th Sports Money Annual Summit. Equipped with the Group’s self-developed “CQT Carbon Critical” technology, the “Flying Flame II” (飛燃 II) has demonstrated its powerful performance to adapt to all runners simultaneously. These running shoes, along with other models like “Furious” (飛馳), “Flying Flame” (飛燃), and “Flying Flame II” (飛燃II) brands, have contributed to the success of athletes like LI Zicheng (李子成), GUAN Yousheng (管油勝), CHENG Qianyu (程乾育), LI Bo (李波), ZHAO Na

(趙娜), and many other 361° running ambassadors and elite runners, securing them podium position in various marathon events. The recent launch of the “Flying Flame 2.5” (飛燃2.5) and “Biospeed CQT 2.5 Pro” (飈速 2.5 Pro) further expands the 361° professional running shoe matrix, providing specialised running shoe products to a wider base of runners.

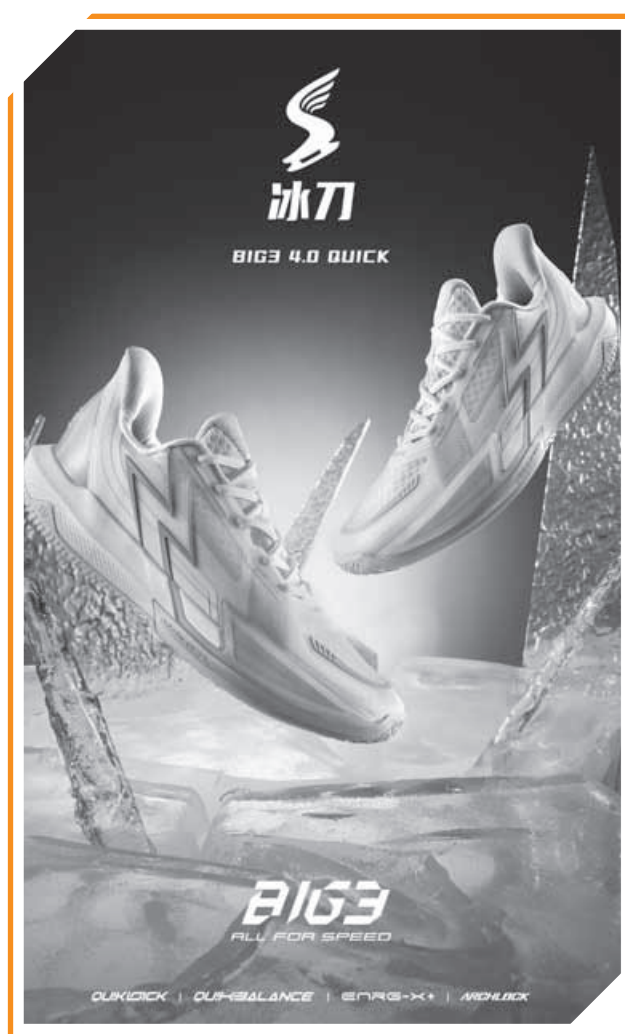
On 2 April 2023, at the C&D Xiamen Marathon 2023, 361° running shoes ranked 4th on the overall brand list among the “Sub-3-Hour Marathoners”. Similarly, on 16 April 2023, at the China Zheng-kai International Marathon 2023, the elite runners contracted by 361° secured the top three places, showcasing the brand’s growing influence in the running community. Additionally, on 25 May 2023, 361° hosted the “121 Triple Running Race” (一二一叁眾跑), providing an opportunity for participants to experience the “Flying Flame 2.5” (飛燃2.5), “Biospeed CQT 2.5 Pro” (飈速 2.5 Pro), “Archlock” Series, and “Fierce” (赤焰) products. The introduction of these new shoe models further underline the brand’s profound achievements in the running industry.



MANAGEMENT DISCUSSION AND ANALYSIS

Since the launch of BIG3 1.0 in March 2019, following a number of iterations and upgrades, the BIG3 4.0 SWITCH and BIG3 4.0 QUICK models were launched in 2023. The BIG3 4.0 SWITCH is an all-around shoe that adapts to all performance styles of different basketball players, while the BIG3 4.0 QUICK focuses on “quickness and agility”, both of which attracted the attention of basketball fans and caused a frenzy of purchases upon their launch. The “ZEN” (禪) basketball series, originated from the popular “ZEN” (禪寂), and “Zen Ge” (禪戈), captivated basketball fans. Following the introduction of “ZEN. III” (禪3) in 2021 and “ZEN. IV” (禪4) in 2022, “ZEN. V” (禪5) was released in 2023. The “ZEN. V” (禪5) showcased a innovative design combining traditional “Heavenly Circle and Earthly Square” and chessboard elements. The ENRG-X+ forefoot inserts carbon-critical technology QU!KCQTECH is used in the midsole, and the forefoot area also incorporates carbon-critical foam midsole materials, significantly enhancing the shoe’s responsiveness. The combination of TPU woven/UTPEE dense mesh fabric and reinforcement layers in the shoe’s surface provides a multi-layered composite design that ensures both breathability and support. Supported by the 361° professional basketball shoe matrix, 361° brand ambassador, Aaron GORDON, successfully secured the National Basketball Association Championships for 2022-2023 season, with the “ZEN. V” (禪5) providing the technical assurance for an MVP-level performance. Furthermore, the AG3 PRO frequently worn by Aaron GORDON throughout the season, also performed exceptionally well. The AG series are signature shoes co-created by 361°, designed to reflect Aaron GORDON’s personality and combine sports aesthetics with strong footwear performance.

As of 30 June 2023, the Group has obtained 406 patents with a total of 863 technicians engaging in R&D, comprising of 436 footwear research staff, 325 apparel research staff and 102 children and accessories research staff. The Group’s expenditure on R&D is expected to increase as it intensifies efforts to carry out the product upgrading programme that combine functionality and design, aiming to create more distinctive products.



MANAGEMENT DISCUSSION AND ANALYSIS



FINANCIAL REVIEW

Revenue

During the period under review, the Group recorded a year-on-year increase of 18.0% in revenue to RMB4,311.5 million (for the six months ended 30 June 2022 (“1H2022”): RMB3,653.8 million) of which 21.1% and 1.6% (1H2022: 18.7% and 1.7%) of the total revenue were respectively contributed by the 361° Kids business and business grouped under “Others” (namely, sales of shoe soles). The remaining 77.3% (1H2022: 79.6%) of the total revenue was mainly derived from the sales of the 361° core brand products and sales from the international businesses of 361°.

Sales of the Group’s two core products, namely footwear and apparel, increased by 28.4% year-on-year and decreased by 1.4% year-on-year respectively. About 90.0% of the products for spring and summer of 2023 was delivered and recognised as the revenue from the sales during the period under review. In the second half of 2023, the products to be delivered will mainly be those for the fall and winter of 2023.

For the six months ended 30 June 2023, the proportion of footwear sales in the total revenue increased from 40.5% to 44.1% whereas the proportion of apparel sales edged down from 37.8% to 31.6% compared to those in the same period of the previous year. Footwear and apparel products remained the major contributors of the Group’s sales revenue during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

The average wholesale price (the “AWP”) of footwear and apparel edged up by 3.5% and 1.7% year-on-year respectively. The increase in footwear and apparel’s AWP was mainly due to (i) the upward adjustments of the wholesale prices to cover the increase in cost of production; (ii) the upgrade of product mix by launching a variety of new products with a higher AWP; (iii) and the increase in proportion of sales revenue generated from the e-commerce business which has a higher AWP than the sales made to distributors, all these initiatives have added up to the increase in AWP as compared to that of products in the same period of the previous year. In addition, the sales volume of footwear products sharply increased by 24.0% while the sales volume of apparel products slightly decreased by 3.0%. Although the overall economy in the PRC is facing some uncertainties as caused by the unstable geopolitical situation in the world and the economic downturn in the global market, where consumers became more conservative to make the consumption on consumer-discretionary products, the Group still successfully achieved a fast growth in the sales volume of footwear products by launching more new products with high functionality and premium by using its improved innovation and newly developed technologies.

As to the accessories, this category of products can complement the footwear and apparel products, and thus can enrich the product mix. During the period under review, the sales volume of the accessories rapidly increased by 154.5% and the AWP of the accessories sharply decreased by 40.2% year-on-year. This was mainly due to the change in product mix by launching a variety of new products with a lower AWP which led to a year-on-year increase of 52.4% in the revenue from the sales of accessories for the period under review.

Although the demand from the traditional western markets was weak as caused by the high inflation and economic downturn in the global market, the Group successfully opened up some new markets along the route of the one-belt-one-road. As a result, revenue from the overseas business during the period under review increased by 66.9% year-on-year to RMB83.3 million (1H2022: RMB49.9 million) and accounted for approximately 1.9% (1H2022: 1.4%) of the total revenue of the Group.

The revenue from 361° Kids for the six months ended 30 June 2023 continued to grow, recording a year-on-year increase of 33.4% to RMB910.9 million (1H2022: RMB683.1 million), and accounted for approximately 21.1% (1H2022: 18.7%) of the Group’s revenue during the period under review. The growth was mainly attributable to a year-on-year increase of 13.4% in the sales volume of apparel and footwear products and a year-on-year increase of 17.6% in their AWP as a result of the continuous growth in the Kids business, the success of the Group’s marketing strategy to diversify the products range to cover different age groups of the youth as well as the upgrade of product mix by launching a variety of new products with new technologies and comfortable raw materials.

The revenue from the sales of the Group’s online-exclusive products at the e-commerce business increased by 38.0% year-on-year to RMB1,079.2 million (1H2022: RMB781.8 million) and accounted for approximately 25.0% (1H2022: 21.4%) of the total revenue during the period under review. The Group is confident that the e-commerce business will continue to play a significant role in contributing to the Group’s revenue in view of the increasing trend for consumers to switch from the traditional offline to online shopping.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period under review, around 53.0% of that subsidiary's products were sold to the Group and the remaining portion was sold to independent third parties. The revenue of that subsidiary for the six months ended 30 June 2023 was RMB67.6 million (1H2022: RMB62.5 million) and accounted for approximately 1.6% (1H2022: 1.7%) of the Group's total revenue.

The following table sets forth a breakdown of the Group's revenue by the type of product during the period under review:

	For the six months ended 30 June				Changes %
	2023		2022		
	RMB'000	% of Revenue	RMB'000	% of Revenue	
By Products					
Adults					
Footwear	1,901,189	44.1	1,480,348	40.5	28.4
Apparel	1,362,433	31.6	1,382,357	37.8	-1.4
Accessories	69,408	1.6	45,533	1.3	52.4
361° Kids	910,920	21.1	683,066	18.7	33.4
Others⁽¹⁾	67,573	1.6	62,452	1.7	8.2
Total	4,311,523	100.0	3,653,756	100.0	18.0

Note (1): Others comprised of sales of shoe soles.

The following table sets forth the number of units sold and the AWP of the products under the Group's brand during the period under review:

	For the six months ended 30 June				Changes	
	2023		2022		Units sold (%)	Average wholesale selling price (%)
	Total units sold '000	Average wholesale selling price ⁽¹⁾ RMB	Total units sold '000	Average wholesale selling price ⁽¹⁾ RMB		
By Volume and the AWP						
Adults						
Footwear (pairs)	15,567	122.1	12,549	118.0	24.0	3.5
Apparel (pieces)	17,473	78.0	18,013	76.7	-3.0	1.7
Accessories (pieces/pairs)	6,655	10.4	2,615	17.4	154.5	-40.2
361° Kids (pieces/pairs)	11,343	80.3	10,005	68.3	13.4	17.6

Note (1): Average wholesale selling price represents the revenue divided by the total units sold for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales of the Group for the first half of 2023 increased by 17.6% year-on-year to RMB2,515.0 million (1H2022: RMB2,138.1 million). During the period under review, the cost of internal production increased by 17.3% year-on-year and the cost of outsourced products increased by 17.8% year-on-year. The overall increase in cost of sales was basically in line with the increase in sales revenue by 18% during the period under review.

There was no significant change of the mix of the internally produced products and outsourced products during the period under review. The portion of outsourced footwear products and apparel products were 58.6% (1H2022: 57.2%) and 78.3% (1H2022: 78.3%) while the portion of internal production were 41.4% (1H 2022: 42.8%) and 21.7% (1H 2022: 21.7%) respectively.

The following table sets forth a breakdown of cost of sales during the period under review:

	For the six months ended 30 June				
	2023		2022		Changes %
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales	
Footwear & Apparel					
Internal Production					
Raw materials	450,734	17.9	412,667	19.3	9.2
Labour	90,277	3.6	96,768	4.5	-6.7
Overheads	261,706	10.4	175,173	8.2	49.4
	802,717	31.9	684,608	32.0	17.3
Outsourced Products					
Footwear	802,722	31.9	621,542	29.0	29.2
Apparel	852,284	33.9	794,432	37.2	7.3
Accessories	57,310	2.3	37,530	1.8	52.7
	1,712,316	68.1	1,453,504	68.0	17.8
Cost of sales	2,515,033	100.0	2,138,112	100.0	17.6

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group recorded a gross profit of RMB1,796.5 million during the period under review (1H2022: RMB1,515.6 million), representing a year-on-year slight increase of 0.2 percentage points in the gross profit margin to 41.7%.

During the period under review, the gross profit margin of footwear remained unchanged and the gross profit margin of the products under “Others” increased by 13.1 percentage points year-on-year, while that of apparel and accessories dropped by 1.4 and 4.3 percentage points year-on-year respectively.

During the period under review, although there was an increase in AWP of footwear by 3.5% as caused by launching a variety of new upgraded products with higher AWP and the increase in the proportion of sales revenue generated from its e-commerce platform, the incremental increase in gross profit margin was fully offset by the change in sales mix and the increase in cost of production. As a result, the gross profit margin of footwear remained unchanged at 43.5%.

The gross profit margin of the apparel products during the period under review was 40.1% (1H2022: 41.5%), representing a year-on-year decrease by 1.4 percentage

points. This was mainly due to the change in sales mix and the increase in AWP was insufficient to cover the increase in cost of production. The decrease was partly offset by the increase in proportion of sales revenue generated from its e-commerce platform which conducted business at a higher gross profit margin than the sales to distributors.

As to the accessories, their gross profit margin dropped by 4.3 percentage points year-on-year to 31.3%. This was mainly due to the change in product mix of the accessories and the increase in cost of production in which the Group did not fully transfer the incremental cost to the distributors.

The gross profit margin of the 361° Kids business increased from 40.7% to 42.4%. It was mainly attributable to the upgrade of product mix by launching a variety of new products with higher AWP, and the increase in the proportion of sales revenue generated from its e-commerce platform.

The gross profit margin of shoe soles, which was categorised under “Others”, was 20.5% (1H2022: 7.4%), increased by a 13.1 percentage points year-on-year during the period under review. It was mainly due to the reduction of raw materials cost and upgrade of product mix with high profit margin.

The following tables set forth a breakdown of the gross profit and gross profit margin for 361° products during the period under review:

	For the six months ended 30 June				
	2023		2022		Changes percentage point
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Adults					
Footwear	827,871	43.5	643,470	43.5	0
Apparel	546,959	40.1	573,504	41.5	-1.4
Accessories	21,695	31.3	16,215	35.6	-4.3
361° Kids	386,117	42.4	277,832	40.7	1.7
Others⁽¹⁾	13,848	20.5	4,623	7.4	13.1
Total	1,796,490	41.7	1,515,644	41.5	0.2

Note (1): Others comprised of sales of shoe soles.

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

Other revenue of RMB209.3 million (1H2022: RMB128.2 million) mainly comprised of (i) interest income of RMB42.7 million (1H2022: RMB40.2 million) earned from bank deposits both in Hong Kong and the PRC; (ii) the discretionary government subsidies of RMB106.6 million (1H2022: RMB19.6 million) which was due to the Group's contribution to local economies; (iii) the commission of RMB33.0 million (1H2022: RMB43.9 million) charged from the sales of distributors' inventories through the e-commerce business and (iv) other income of RMB27.0 million (1H2022: RMB24.5 million).

Other net loss

The other net loss of RMB9.7 million (1H2022: other net loss of RMB8.1 million) mainly represented the net foreign exchange loss of RMB9.8 million (1H2022: RMB5.2 million), partly offset by the gain on disposal of plant and equipment and others amounted to RMB0.1 million (1H2022: loss on disposal of plant and equipment and others of RMB2.9 million).

Since the Group's principal business is located in the PRC and adopts Renminbi as its functional currency, the depreciation of Renminbi resulted in currencies loss to a few subsidiaries with the use of functional currencies other than Renminbi. It is common that subsidiaries have temporary current accounts' movements among one another, the timing difference of converting local currencies to Renminbi along the time of advancements and repayments incurs currency gain or loss.

Selling and distribution expenses

For the six months ended 30 June 2023, selling and distribution expenses increased by 25.5% year-on-year to RMB757.6 million (1H2022: RMB603.6 million). The increase was mainly due to the commitment of more resources to an advertising and promotion programme for the purpose of boosting sales and enhancing the 361° brand, in particular, more activities held via the e-commerce platform, the increase in logistic charges in relation to the e-commerce business, the increase in service fees charged by the e-commerce platforms and the increase in sales revenue during the period under review, resulting in the increase of selling and distribution expenses.

Advertising and promotional expenses increased by 13.5% year-on-year to RMB380.8 million (1H2022: RMB335.4 million) and accounted for approximately 8.8% (1H2022: 9.2%) of the Group's revenue. In view of the continuous growth in the sports industry and the PRC government has adjusted its pandemic preventive measures in early 2023, the Group restarted some sponsorship programmes and took a more aggressive approach for advertising and promotion activities to enhance both its market position and its brand during the period under review.

The commission and other service fees paid to the e-platforms, e.g. Tmall and JD.com, were RMB113.1 million (1H2022: RMB66.8 million) and other expenses in relation to the running of this business amounted to RMB62.9 million (1H2022: RMB39.6 million), totalling RMB176.0 million (1H2022: RMB106.4 million). The major expenses incurred by the e-commerce operation increased by 65.5% year-on-year, which was in line with the growth of e-commerce business during the period under review.

Administrative expenses

Administrative expenses increased by 16.6% year-on-year to RMB285.5 million for the six months ended 30 June 2023 (1H2022: RMB244.8 million) and represented approximately 6.6% (1H2022: 6.7%) of the Group's revenue. The increase was mainly due to the year-on-year increase of RMB25.6 million and RMB22.6 million in research and development ("R&D") expenses and office expenses respectively which was partially offset by the year-on-year decrease of RMB7.5 million in the staff costs.

The increase in office expenses was mainly due to the expansion in business and increase in entertainment and travelling expenses during the period under review. The decrease in staff cost was mainly due to decrease of RMB10.3 million in amortisation of the fair value of the stock options granted to the staff during the period under review, as the fair value of the stock options granted to the staff was fully amortised for the year ended 31 December 2022 and no such amortisation occurred during the period under review (1H2022: RMB10.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

R&D expenses increased by 22.6% year-on-year to RMB139.5 million (1H2022: RMB113.8 million) and accounted for 3.2% (1H2022: 3.1%) of the revenue during the period 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 as 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

Since the PRC government has adjusted its pandemic prevention measures in early 2023, the economic situation in the PRC has steadily recovered. Furthermore, the Group has strengthened its credit management on its distributors which led to a reduction of the aggregate provision for expected credit losses on trade receivables made in previous years and an amount of RMB39.9 million (1H2022: additional provision made of RMB15.3 million) was reversed during the period under review. The total provision for impairment loss arising from trade receivables as at 30 June 2023 amounted to RMB258.9 million (31 December 2022: RMB298.8 million) which represented 6.4% (31 December 2022: 9.2%) of the trade receivables before provision at the end of the period under review.

Finance costs

For the six months ended 30 June 2023, finance costs increased by 98.3% year-on-year to RMB9.2 million (1H2022: RMB4.7 million) which represented interest paid of RMB9.1 million (1H2022: RMB4.7 million) and RMB0.1 million (1H2022: Nil) in relation to bank borrowings and lease liabilities respectively. During the period under review, the Group has made a net addition of bank borrowings of RMB248.8 million for additional working capital to the Group, as a result, the finance cost was increased for the period under review.

As at 30 June 2023, the Group had bank borrowings of RMB541.8 million in which unsecured bank loans of RMB535.0 million for liquidity of three subsidiaries being run in the PRC and a mortgage bank loan of RMB6.8 million for financing the acquisition of an office in Hong Kong.

Income tax expense

During the period under review, income tax expense of the Group amounted to RMB217.3 million (1H2022: RMB163.0 million) and the effective tax rate for the period was 22.1% (1H2022: 21.3%).

No provision has been made for profit tax paid by the Group's subsidiaries in Hong Kong as there was no assessable profit made in Hong Kong.

The income tax expenses mainly represented the profit arising from the Group's operating subsidiaries in China. One of the Group's mainland China-based operating subsidiaries succeeded to obtain the approval as a high and new technology enterprise ("HNTE") and enjoys a reduced income tax rate of 15% from a local tax authority in late 2018 with a validity period of three years. The validity period had been further extended of three years to late 2024. 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%. Accordingly, the effective tax rate was slightly increased by 0.8% to 22.1% for the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-controlling interest

The increase in non-controlling interest was mainly due to increase in profits from non wholly-owned subsidiaries which engaged in the e-commerce and 361° Kids businesses, which was partly offset by the Group's increase in effective equity interest of 17.92% in an indirect non wholly-owned subsidiary which engaged in the e-commerce business during the period under review (please refer to paragraph headed "Material acquisitions and disposal" for further details).

CAPITAL AND OTHER INFORMATION

Liquidity and financial resources

Net cash generated from operating activities of the Group for the first half of 2023 amounted to RMB2.2 million. As at 30 June 2023, cash and cash equivalents, including bank deposits and cash in hands and fixed deposits with original maturities not exceeding three months, amounted to RMB3,550.4 million, representing a net decrease of RMB306.5 million compared to the position as at 31 December 2022.

The net (decrease)/increase in cash and cash equivalents was attributable to the following items:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from operating activities	2,235	23,444
Payment for the purchase of property, plant and equipment	(14,908)	(18,223)
Interest paid	(9,097)	(4,645)
Acquisition of non-controlling interest	(549,890)	–
Decrease in pledged bank deposits	2,802	12,998
Proceeds from disposal of property, plant and equipment	91	9,431
Repayment of bank loans	(151,220)	(621)
Proceeds from bank loans	400,000	–
Increase in amount due to non-controlling interest	20,272	–
Dividends paid to non-controlling interests	(53,337)	–
Interest received	49,154	59,733
Other net cash outflow	(2,564)	(223)
Net (decrease)/increase in cash and cash equivalents	(306,462)	81,894

MANAGEMENT DISCUSSION AND ANALYSIS

The net cash generated from operating activities amounted to RMB2.2 million during the period under review and this is mainly caused by the decrease in trade and other payables, increase in inventories, increase in trade and bills receivables and partially offset by the decrease in deposits, prepayments and other receivables during the period under review. The decrease in trade and other payables was mainly due to the acceleration of settlement to the suppliers and sub-contractors in exchange for better trade terms at the request of suppliers and sub-contractors, and for the purpose of strengthening the long-term relationship with sub-contractors and suppliers, which was partly offset by the increase in purchases of raw materials and sub-contracting charges payable to the OEMs caused by the growth of business. The increase in inventories was mainly due to increase in raw materials and finished goods to cope with the outstanding sales orders. The increase in trade and bills receivables was mainly due to the increase in sales revenue. The decrease in deposits, prepayments and other receivables was mainly due to decrease in deposits paid to sub-contractors in relation to the purchase and sub-contracting orders in order to fulfil the outstanding sales orders, which was partially offset by the increase in prepayments made to advertisers and suppliers under the promotion contracts.

During the six months ended 30 June 2023, capital expenditure amounted to RMB14.9 million (1H2022: RMB18.2 million) and it was mainly incurred for the upgrading of facilities in relation to production in Wuli Industrial Park, Jinjiang. The interest of RMB9.1 million (1H2022: RMB4.6 million) paid for the period was mainly the interest for the bank loans. The decrease of RMB2.8 million in pledged deposits was due to less amount of bills issued as at 30 June 2023 compared with those six months ago. The Group received proceeds from disposal of property, plant and equipment of RMB0.1 million (1H2022: RMB9.4 million) during the period under review. The net increase of RMB248.8 million in bank loans (1H2022: net decrease of RMB0.6 million in bank loans) represented the net addition of bank loans for providing additional working capital to the operating subsidiaries in China less the repayment of the principal of the bank mortgage loan in relation to the office in Hong Kong. The interest received amounted to RMB49.2 million (1H2022: RMB59.7 million) representing an interest income generated from the fixed deposit placed in the PRC and Hong Kong.

The Group's gearing ratio (calculated based on the interest-bearing debt divided by the total assets of the Group as at 30 June 2023) was 4.2% as at 30 June 2023 (As at 31 December 2022: 2.4%). Other than the bank borrowings and the mortgage, the Group did not use other debt instruments to finance its operations for the period of six months ended 30 June 2023.

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 at 30 June 2023, 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 minimise the interest rate exposure. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may have a financial impact on the Group.

During the period under review, the Group did not carry out any hedging activity against foreign currency risk.

Pledge of assets

As at 30 June 2023, a property with a net book value of RMB41.2 million (As at 31 December 2022: RMB40.1 million) was pledged as security for a banking facility of the Group of RMB35.3 million (As at 31 December 2022: RMB38.9 million). The aforesaid 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 at 30 June 2023 were secured by pledged bank deposits of RMB14.1 million (As at 31 December 2022: RMB18.9 million) and guarantee deposits of RMB7.2 million (As at 31 December 2022: RMB5.3 million) for payment to guaranteed parties denominated in RMB placed in designated bank accounts.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital management

The average working capital cycle for the six months ended 30 June 2023 increased to 129 days (For the year ended 31 December 2022: 117 days). The increase was mainly due to the decrease in the turnover cycle of the trade and bills payable which was partially offset by decrease in turnover cycle of the trade and bills receivable and the shortening of inventory turnover day.

The average trade and bills receivable cycle was 144 days for the six months ended 30 June 2023 (for the year ended 31 December 2022: 147 days), representing a slight decrease of 3 days. Although the PRC's economy was recovered slowly and was affected by the unstable geo-political situation in the world and the economic downturn in the global market, the Group successfully strengthened its credit management on its distributors which led to the reduction in the trade and bills receivable turnover day during the period under review. As at 30 June 2023, an aggregated amount of RMB3,626.7 million 94.0% of trade and bills receivables was within 180 days of which around 85.0% was within 90 days and 9.0% was over 90 days but within 180 days.

In view of the improved trade and bills receivable turnover cycle and the Group's effort to enhance its credit management system on distributors, the Group has reduced its aggregate provision for doubtful debts of RMB39.9 million (1H2022: additional provision of RMB15.3 million) during the period under review. The Group will continue to closely monitor the situation of its trade and bills receivables and stay in touch with all the distributors on a more frequent basis, and believes that there will be further improvement in the collection of debts for the second half of this year.

The average inventory turnover cycle was 86 days for the six months ended 30 June 2023 (for the year ended 31 December 2022: 91 days). The improved inventory turnover cycle was mainly due to the continuous growth of the sports industry and the distributors' more aggressive attitude on taking the delivery of the orders according to the expected timetable to meet the strong market demand. About 91.5% of the stock were finished goods and were mainly products for the summer and fall of 2023. All the goods for the 361° core brand were either self-produced or supplied by OEMs according to the orders received from distributors. No extra stock was produced or retained by the Group.

As at 30 June 2023, prepayments to suppliers were RMB756.0 million, representing a 15.6% decrease compared with the RMB895.4 million as at 31 December 2022. The prepayments were deposits paid for raw materials and to outsourced suppliers for the acceptance of the orders for production of products at the 2023 fall and winter trade fairs. The balance of other prepayments, RMB292.8 million (as at 31 December 2022: RMB207.6 million), was mainly the payment in relation to the advertising and promotion contracts.

The average trade and bills payable cycle decreased by 20 days to 101 days for the six months ended 30 June 2023 (for the year ended 31 December 2022: 121 days). The decrease was mainly due to the shortening of the settlement period which was set for the purpose of maintaining long-term relationships with suppliers and in exchange for better trade terms with the suppliers. The Group believes that the average trade and bills payable cycle will be maintained at approximately 110 days in the long run.

Contingent liabilities

For the period ended 30 June 2023, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

For the period ended 30 June 2023, the Group did not make any material acquisitions or disposal of subsidiaries or associates except for below:

On 16 July 2020, Sanliuyidu (China) Co., Ltd. (三六一度(中國)有限公司) ("Sanliuyidu China"), a wholly-owned subsidiary of the Company, entered into a limited partnership agreement (the "Limited Partnership Agreement") with Jinjiang City Jinfa Equity Investment Partnership (Limited Partnership)* (晉江市晉發股權投資合夥企業(有限合夥)) ("Jinfa Equity") and Zhejiang Yingshi Private Equity Fund Management Partnership (Limited Partnership)* (浙江盈實私募基金管理合夥企業(有限合夥)) ("Zhejiang Yingshi"), 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, Jinfa Equity and Zhejiang Yingshi will contribute RMB550.1 million, RMB548.8 million and RMB1.1 million, respectively.

MANAGEMENT

DISCUSSION AND ANALYSIS

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.

In 2021, the Group and the other parties completed their contributions into the Partnership and the Partnership has contributed their capital into Duoyidu Quanzhou in accordance with the terms of the Capital Increase Agreement.

On 24 April 2023, Sanliuyidu China, Sanliuyidu Xiamen Industry & Trade Co. Ltd. (三六一度(廈門)工貿有限公司) ("Sanliuyidu Xiamen") (an indirect wholly-owned subsidiary of the Company), Jinfa Equity, Zhejiang Yingshi and the Partnership entered into an equity transfer agreement, pursuant to which Sanliuyidu China and Sanliuyidu Xiamen acquired 0.10% and 49.89% interests in the Partnership from Zhejiang Yingshi and Jinfa Equity respectively at an aggregate consideration of RMB549.9 million.

Upon completion of the acquisitions, the total capital commitments of the Partnership remains at RMB1.10 billion, of which Sanliuyidu China and Sanliuyidu Xiamen holds approximately 50.11% and 49.89% interests in the Partnership. The Partnership has become an indirect wholly-owned subsidiary of the Company and the Group's effective equity interest in Duoyidu Quanzhou was increased from 69.25% to 87.17%. The increase of the 17.92% effective equity interest was account for as an equity transaction and recorded in "Other Reserve" during the period under review.

Significant investments

For the six months ended 30 June 2023, the Group had no significant investments.

As at the date of this report, the Group does not have any concrete future plan for material investment or capital assets for the year ending 31 December 2023. Meanwhile, the Group will continue to actively and regularly review its investment plan, and explore any strategic investment opportunities for the Group's business development, and will use its internal resources for such investment should suitable opportunities arise.

Employees and emoluments

As at 30 June 2023, the Group employed a total of 7,862 full time employees in the PRC who included management staff, technicians, salespersons and workers. For the six months ended 30 June 2023, the Group's total remuneration paid to employees was RMB305.6 million, representing 7.1% of the Group's revenue. The Group's 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.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As the global economy gradually rebounds from the impact of the pandemic, the Chinese economy is also experiencing a steady emergence from this once-in-a-century event, with its market showing a significant increase in growth momentum. The promotion of the “National Fitness” policy, coupled with the rising awareness of physical fitness and health among the public, has led to a growing willingness to purchase sports products. This, in turn, has been propelling the growth of China’s sports industry and contributing significantly to the overall recovery of the country’s economy. Looking ahead, we foresee the sports industry will play an even more significant role in the national economy and social development.

As we move to the second half of 2023, the Hangzhou Asian Games is expected to infuse new energy into the sporting enthusiasm in China. This event is expected to unleash the full potential of domestic sports consumption, ushering in a new era of growth for the sports industry. Guided by the “consumer-centric” business philosophy and its positioning as a “professional, youthful, and internationalised” brand, 361° will fully leverage its role as an official partner of the Hangzhou Asian Games to enhance its brand influence in the international sports arena and strive to elevate its brand value to new heights.

With a continued focus on its dual driving strategy of “professional sports” and “sports fashion” alongside close observation of industry changes and demands, the Group aims to further consolidate the professional sporting functionality of its products. Expanding and optimising brand resource matrix, the Company plans to introduce new elements to reach a wider range of consumer groups. Regarding the 361° Kids brand, the Group intends to capitalise on the opportunities arising from the rapid development of kids’ sportswear and consolidate its leading position in a variety of professional sports resources. The Company’s objective to enhance the professional functionality, health-related technology, and trendy elements of its products is supported by its concentrated effort on resources, diversity, and various sales channels. Thereby, fulfilling the diverse lifestyle and sporting needs of children and adolescents.

The Group has always attached great importance to scientific research and innovation, proactively strengthening its investments in research and development. This enabled the design of the Group’s high-quality products that better meet the needs of professional athletes and consumers by incorporating new digital trends, “China-Chic”, adolescent-oriented, and environmental sports consumption in China. The Group aims to continue enhancing the influence of its diverse product offerings across various professional sports communities and promote the upward breakthrough of its brand. To effectively expand its customer base, the Group will continue leveraging its diversified and high-quality product portfolio to explore integrated sales channels. It will fully capitalise on e-commerce channel opportunities, and take advantage of various online sales festivals to achieve further sales success. Meanwhile, the Group will also continue expanding the scale of its offline stores, upgrading and improving the image and operational quality of its stores. This approach will enable the Group to reach a wider range of consumers and meet the diversified needs of different consumer groups through both online and offline channels, thereby enhancing its overall operational efficiency.

The high-profile Hangzhou Asian Games is scheduled for 23 September this year. As the official partner of the Asian Games for four consecutive terms, the Group is eagerly committed to supporting and being a part of the Hangzhou Asian Games. Embracing the new slogan of “One Degree Beyond Chinese Passion” (中國熱愛 多一度) and leveraging its brand experiences and competitive advantages, the Group will provide comprehensive sports equipment for the event, playing a leading role as a national sports brand and upholding the spirit of the Asian Games with the core value of “Chinese Passion”. With the ambition to contribute significantly to Asian sports, the Group will spare no effort in preparing for the entire event, aiming to maximise brand exposure and foster substantial growth of brand value across all aspects.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	4,311,523	3,653,756
Cost of sales		(2,515,033)	(2,138,112)
Gross profit		1,796,490	1,515,644
Other revenue	4	209,287	128,165
Other net loss	4	(9,765)	(8,136)
Selling and distribution expenses		(757,570)	(603,566)
Administrative expenses		(285,549)	(244,829)
Reversal of/(provision for) expected credit losses allowance on trade receivables	9	39,888	(15,334)
Profit from operations		992,781	771,944
Finance costs	5(a)	(9,240)	(4,660)
Profit before income tax	5	983,541	767,284
Income tax expense	6	(217,296)	(163,027)
Profit for the period		766,245	604,257
Attributable to:			
Equity shareholders of the Company		703,646	550,914
Non-controlling interests		62,599	53,343
Profit for the period		766,245	604,257
Earnings per share			
Basic and diluted (RMB cents)	7	34.03	26.65

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit for the period	766,245	604,257
Other comprehensive (expense)/income for the period, net of income tax		
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	(8,558)	713
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	11,920	4,896
Total comprehensive income for the period, net of income tax	769,607	609,866
Attributable to:		
Equity shareholders of the Company	707,008	556,523
Non-controlling interests	62,599	53,343
Total comprehensive income for the period	769,607	609,866

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	752,212	772,585
Right-of-use assets		101,859	102,050
		854,071	874,635
Current assets			
Other financial asset		22,881	32,948
Deposits and prepayments	9	83,041	93,476
Deferred tax assets		144,203	151,074
		1,104,196	1,152,133
Current liabilities			
Inventories	10	1,218,651	1,182,455
Trade debtors	9	3,777,551	2,954,283
Bills receivables	9	80,277	69,610
Deposits, prepayments and other receivables	9	1,145,487	1,192,836
Pledged bank deposits	11	21,336	24,138
Deposits with banks	11	2,000,000	2,000,000
Cash and cash equivalents	11	3,550,357	3,860,442
		11,793,659	11,283,764
Current liabilities			
Trade and other payables	12	2,250,229	2,326,795
Lease liabilities		1,264	303
Bank loans	13	241,802	192,282
Current taxation		509,443	386,129
		3,002,738	2,905,509
Net current assets		8,790,921	8,378,255

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Total assets less current liabilities		9,895,117	9,530,388
Non-current liability			
Lease liabilities		115	269
Bank loans	13	300,000	100,000
Deferred tax liability		10,654	12,440
		310,769	112,709
Net assets		9,584,348	9,417,679
Capital and reserves			
Share capital	14(a)	182,305	182,298
Reserves		8,678,638	7,761,232
Total equity attributable to equity shareholders of the Company		8,860,943	7,943,530
Non-controlling interests		723,405	1,474,149
Total equity		9,584,348	9,417,679

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to equity shareholders of the Company									
	Share capital (note 14(a)) RMB'000	Other reserves RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2022 (Audited)	182,298	86,772	944,125	(34,581)	16,971	26,125	5,895,055	7,116,765	1,438,876	8,555,641
Changes in equity for the six months ended 30 June 2023:										
Profit for the period (Unaudited)	-	-	-	-	-	-	550,914	550,914	53,343	604,257
Other comprehensive income (Unaudited)	-	-	-	4,896	713	-	-	5,609	-	5,609
Total comprehensive income (Unaudited)	-	-	-	4,896	713	-	550,914	556,523	53,343	609,866
Appropriation to statutory reserve	-	-	51,327	-	-	-	(51,327)	-	-	-
Equity-settled share option payment (Note 5)	-	-	-	-	-	25,939	-	25,939	-	25,939
Balance at 30 June 2022 (Unaudited)	182,298	86,772	995,452	(29,685)	17,684	52,064	6,394,642	7,699,227	1,492,219	9,191,446
Balance at 1 January 2023 (Audited)	182,298	86,772	1,007,181	(22,083)	22,258	87,988	6,579,116	7,943,530	1,474,149	9,417,679
Changes in equity for the six months ended 30 June 2023:										
Profit for the period (Unaudited)	-	-	-	-	-	-	703,646	703,646	62,599	766,245
Other comprehensive income (Unaudited)	-	-	-	11,920	(8,558)	-	-	3,362	-	3,362
Total comprehensive income (Unaudited)	-	-	-	11,920	(8,558)	-	703,646	707,008	62,599	769,607
Appropriation to statutory reserve	-	-	45,981	-	-	-	(45,981)	-	-	-
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(53,337)	(53,337)
Transactions with non-controlling interests of subsidiaries (Note i)	-	210,116	-	-	-	-	-	210,116	(760,006)	(549,890)
Exercise of share options (Note ii and Note 14(a))	7	341	-	-	-	(59)	-	289	-	289
Lapse of share options (Note iii)	-	-	-	-	-	(87,929)	87,929	-	-	-
Balance at 30 June 2023 (Unaudited)	182,305	297,229	1,053,162	(10,163)	13,700	-	7,324,710	8,860,943	723,405	9,584,348

Notes:

- (i) During the six months ended 30 June 2023, the Group acquired non-controlling interests of "Jinjiang Jinfa No.1 Equity Investment Partnership" the consideration for the acquisition is approximately RMB549,890,000 which resulted in the equity interest in "Jinjiang Jinfa No.1 Equity Investment Partnership" held by the Group increased from 50.01% to 100.00%, and the effective equity interest in "Duoyidu (Quanzhou) E-commerce Co., Ltd" and "Quanzhou Xingtong Trading Co., Ltd" held by the Group increased from 69.25% to 87.17%. The Group recognised the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid to "Other reserves".
- (ii) During the six months ended 30 June 2023, 80,000 share options granted under the Share Option Scheme (defined in Note 31 to the 2022 annual financial statements) were exercised at the subscription price of HK\$4.1 per share, the exercise of these share options resulted in the issue of a total of 80,000 shares of HK\$0.01 each for a total cash consideration before expenses of approximately HK\$328,000 (equivalent to approximately RMB289,000), representing the nominal value of ordinary shares of RMB7,000 and share premium of RMB282,000. An amount of HK\$66,000 (equivalent to approximately RMB59,000) was transferred from the share option reserve to the share premium account upon the exercise of the share options.
- (iii) During the six months ended 30 June 2023, the remaining share options were forfeited after the vesting date or still not exercised at the expiry date, the amount previously recognised in share option reserve was transferred to retained profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	91,132	131,835
People's Republic of China income tax paid	(88,897)	(108,391)
Net cash generated from operating activities	2,235	23,444
Investing activities		
Payment for the purchase of property, plant and equipment	(14,908)	(18,223)
Proceeds from disposal of property, plant and equipment	91	9,431
Decrease in pledged bank deposits	2,802	12,998
Placements of fixed deposits held at banks with maturity over three months	(1,200,000)	(2,000,000)
Uplift of fixed deposits held at banks with maturity over three months	1,200,000	2,000,000
Interest received	49,154	59,733
Net cash generated from investing activities	37,139	63,939
Financing activities		
Principal element of lease rentals paid	(2,710)	(208)
Interest element of lease rentals paid	(143)	(15)
Proceeds from exercise of share options	289	–
Proceeds from bank loans	400,000	–
Repayment of bank loans	(151,220)	(621)
Increase in amount due to non-controlling interests	20,272	–
Acquisition of non-controlling interests	(549,890)	–
Dividends paid to non-controlling interests	(53,337)	–
Interest paid	(9,097)	(4,645)
Net cash used in financing activities	(345,836)	(5,489)
Net (decrease)/increase in cash and cash equivalents	(306,462)	81,894
Cash and cash equivalents at 1 January	3,860,442	3,339,010
Effect of foreign exchange rate changes	(3,623)	2,628
Cash and cash equivalents at 30 June	3,550,357	3,423,532

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2023 ("interim financial statements") has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This interim financial statements was authorised for issue by the Company's board of directors on 15 August 2023.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended 31 December 2022.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2022 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2023.

The interim financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values. As the Group mainly operates in the People's Republic of China (the "PRC"), Renminbi ("RMB") is used as the presentation currency of the interim financial statements.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and method of computation adopted in preparing these interim financial statements were consistent with those adopted for the Group's consolidated financial statements for the year ended 31 December 2022 other than changes in accounting policies resulting from adoption of the new or amendments to HKFRSs effective for the accounting periods beginning on or after 1 January 2023.

The HKICPA has issued a number of new or amendments to HKFRSs that are first effective for the current accounting period of the Group. None of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in these interim financial statements. The Group has not adopted any amendments to HKFRSs that is not yet effective for the current accounting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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. The fair value of the share options is expensed over the vesting period from 21 June 2021 to 20 December 2022. The fair value of the share options granted recognised as a deduction of revenue for the six months ended 30 June 2022 was approximately RMB14,118,000. 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 six months ended 30 June 2022. Details of the share option scheme are set forth in Note 30 to the 2022 annual financial statements.

Disaggregation of revenue

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Footwear	2,357,303	1,792,874
— Apparel	1,802,479	1,740,002
— Accessories	84,168	58,428
— Others	67,573	62,452
	4,311,523	3,653,756

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 included two (six months ended 30 June 2022: two) customers with whom transactions have exceeded 10% of the Group's revenues. During the period ended 30 June 2023, revenues from sales of footwear, apparel and accessories to one (six months ended 30 June 2022: one) customer, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately RMB1,102,125,000 (six months ended 30 June 2022: RMB622,551,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 period. Accordingly, no analysis by geographical segments has been provided for the period. In addition, no information on segment assets and liabilities was prepared for review by the Group's most senior executive management for the period 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 most 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 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	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Disaggregated by timing of revenue recognition						
Point in time	3,400,603	2,970,690	910,920	683,066	4,311,523	3,653,756
Revenue from external customers	3,400,603	2,970,690	910,920	683,066	4,311,523	3,653,756
Inter-segment revenue	20,042	4,177	-	-	20,042	4,177
Reportable segment revenue	3,420,645	2,974,867	910,920	683,066	4,331,565	3,657,933
Cost of sales	(2,010,014)	(1,737,609)	(524,803)	(405,234)	(2,534,817)	(2,142,843)
Reportable segment profit (gross profit)	1,410,631	1,237,258	386,117	277,832	1,796,748	1,515,090

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment revenues and profit or loss

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	4,331,565	3,657,933
Elimination of inter-segment revenue	(20,042)	(4,177)
Consolidated revenue (note 3(a))	4,311,523	3,653,756
Profit before income tax		
Reportable segment profit	1,796,748	1,515,090
Elimination of inter-segment profit	(258)	554
Reportable segment profit derived from the Group's external customers	1,796,490	1,515,644
Other revenue	209,287	128,165
Other net loss	(9,765)	(8,136)
Selling and distribution expenses	(757,570)	(603,566)
Administrative expenses	(285,549)	(244,829)
Reversal of/(provision for) expected credit losses allowance on trade receivables	39,888	(15,334)
Finance costs	(9,240)	(4,660)
Consolidated profit before income tax	983,541	767,284

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. OTHER REVENUE AND OTHER NET GAIN

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Other revenue		
Interest income on financial assets measured at amortised cost	42,665	40,169
Government grants [#]	106,581	19,607
Commission income [*]	33,037	43,932
Others	27,004	24,457
	209,287	128,165
Other net loss		
Net foreign exchange loss	(9,814)	(5,169)
Gain/(loss) on disposal of property, plant and equipment	49	(2,967)
	(9,765)	(8,136)

Note:

- # 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.
- * 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 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(a) Finance costs:		
Interest on lease liabilities	143	15
Interest on bank loans	9,097	4,645
Total interest expense on financial liabilities not carried at fair value through profit or loss	9,240	4,660
(b) Other items:		
Depreciation of property, plant and equipment	37,152	30,285
Depreciation of right-of-use assets	3,521	1,294
Staff costs (including directors' emoluments)	305,613	304,141
— Contributions to defined contribution retirement plans	11,266	9,382
— Equity settled share-based payment	—	11,821
— Salaries, wages and other benefits	294,347	282,938
Equity settled share-based payment (Note a)	—	25,939
— Staff (as above)	—	11,821
— Business partners (Note 3(a))	—	14,118
Expenses relating to short-term leases	5,680	3,721
Research and development costs (Note b)	139,497	113,849
Cost of inventories (Note c)	2,515,033	2,138,112

Notes:

- (a) During the year ended 31 December 2021, the Company granted 54,800,000 and 45,200,000 share options to the employees and business partners (collectively referred to as the "Grantees") respectively under the share option scheme. The options will entitle the Grantees to subscribe for a total of 100,000,000 new shares of HK\$0.10 each at an exercise price of HK\$4.1 per share. All the share options granted are exercisable from 21 December 2022 and expiring on 20 June 2022 (both dates inclusive). During the six months ended 30 June 2023, no share-based payment (six months ended 30 June 2022: RMB25,939,000) for the share option scheme was recognised in the consolidated profit or loss with a corresponding credit in share option reserve.
- (b) Research and development costs include approximately RMB55,822,000 (six months ended 30 June 2022: RMB42,447,000) relating to staff costs of employees in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above. Research and development costs included in administrative expenses in the condensed consolidated statement of profit or loss.
- (c) Cost of inventories includes RMB2,328,000 (six months ended 30 June 2022: RMB Nil) relating to written off of inventories and RMB105,292,000 (six months ended 30 June 2022: RMB106,880,000) relating to staff costs and depreciation, which amounts are also included in the respective amount disclosed separately above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current tax		
Provision for the period	212,211	166,850
— PRC income tax (Note (ii))	212,211	166,850
— Withholding tax (Note (iv))	—	—
Deferred tax	5,085	(3,823)
— Withholding tax	—	—
— Origination of temporary differences	5,085	(3,823)
	217,296	163,027

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (six months ended 30 June 2022: nil).
- (ii) No provision has been made for Profits Tax in Hong Kong, Brazil, United States of America and the Netherlands as the Group did not earn any income subject to Profits Tax in Hong Kong, Brazil, United States of America and the Netherlands during the six months ended 30 June 2023 (six months ended 30 June 2022: nil).
- (iii) All PRC subsidiaries are subject to income tax at 25% (six months ended 30 June 2022: 25%) for the six months ended 30 June 2023 under the Enterprise Income Tax law ("EIT law"), except for one of the subsidiaries of the Company operating in the PRC which were approved to be a high and new technology enterprise ("HNTE"). Enterprise approved to be HNTE are 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. The validity period had been further extended of three years from 30 November 2021 to 29 November 2024. The subsidiary was approved to be HNTE and enjoyed the preferential tax rate for HNTE for the six months ended 30 June 2023 (six months ended 30 June 2022: Same).
- (iv) The PRC tax law imposes a withholding tax at 5% for dividends declared by the PRC subsidiaries to its immediate holding company outside the PRC for remitted earnings. As at 30 June 2023, the deferred tax liabilities for withholding taxes have not been provided on unremitted earnings (30 June 2022: RMB Nil).

7. 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 RMB703,646,000 (six months ended 30 June 2022: RMB550,914,000) and the weighted average of 2,067,629,000 (six months ended 30 June 2022: 2,067,602,000) ordinary shares in issue during the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. EARNINGS PER SHARE (Continued)

(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, 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 six months ended 30 June 2022, 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 six months ended 30 June 2023, diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired and disposed items of property, plant and equipment of approximately RMB14,908,000 (six months ended 30 June 2022: approximately RMB18,223,000) and RMB42,000 (six months ended 30 June 2022: RMB12,398,000) respectively.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables	4,036,497	3,253,117
Less: Allowance for expected credit loss	(258,946)	(298,834)
Trade receivables, net of loss allowance	3,777,551	2,954,283
Bills receivables	80,277	69,610
Trade and bills receivables (Note d)	3,857,828	3,023,893
Deposits, prepayments and other receivables		
<i>Current</i>		
Deposits	296	631
Prepayments (Note a)	1,048,762	1,103,040
Other receivables (Note b)	95,329	89,165
Amount due from related parties	1,100	–
	1,145,487	1,192,836
<i>Non-current</i>		
Deposits and prepayments	83,041	93,476

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

Notes:

- (a) Included in prepayments are amounts prepaid to suppliers, advertisers and prepaid of decoration and display expenses of approximately RMB755,694,000, RMB75,026,000 and RMB181,950,000, respectively (31 December 2022: RMB895,389,000, RMB56,148,000 and RMB103,742,582).
- (b) Other receivables mainly include the interest receivables from bank deposits of approximately RMB19,255,000, other receivables relating to trade fairs and e-commerce platforms of approximately RMB26,847,000 and other tax recoverable of approximately RMB5,822,000 (31 December 2022: RMB25,744,000, RMB18,134,000 and RMB12,585,000).
- (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) Ageing analysis

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:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 90 days	3,279,639	2,136,041
Over 90 days but within 180 days	347,054	673,526
Over 180 days but within 360 days	231,135	214,326
	3,857,828	3,023,893

Trade and bills receivables are due within 30 to 180 days (31 December 2022: 30 to 180 days) from the date of billing.

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

10. INVENTORIES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Raw materials	81,197	60,072
Work in progress	21,980	59,884
Finished goods	1,115,474	1,062,499
	1,218,651	1,182,455

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. CASH AND BANK DEPOSITS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Pledged bank deposits	21,336	24,138
Deposits with banks		
— More than three months to maturity when placed	2,000,000	2,000,000
Cash at bank and on hand	3,550,357	3,860,442
Cash and bank deposits	5,571,693	5,884,580

Pledged bank deposits comprised deposits of approximately RMB14,086,000 (31 December 2022: RMB18,888,000) pledged to certain banks as security for certain banking facilities and guarantee deposits of RMB7,250,000 (31 December 2022: RMB5,250,000) for payment to guaranteed parties denominated in RMB placed in designated accounts. Such guarantee deposit will be released upon the expiry of the guarantee agreements.

At 30 June 2023, balances that were placed with banks or on hand in the PRC amounted to approximately RMB5,550,590,000 (31 December 2022: RMB5,848,032,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

12. TRADE AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade payables	1,274,813	1,439,864
Bills payables	36,760	62,800
	1,311,573	1,502,664
Contract liabilities	105,146	60,050
Other payables and accruals (Note)	833,510	764,081
Total	2,250,229	2,326,795

Note:

Other payables and accruals mainly included the accrued advertising expenses of approximately RMB216,316,000 (31 December 2022: RMB253,263,000), other payables relating to shelf allowance, trade fairs and e-commerce platforms of approximately RMB114,930,000 (31 December 2022: RMB123,949,000) and other tax payables of approximately RMB286,861,000 (31 December 2022: RMB122,080,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. TRADE AND OTHER PAYABLES (Continued)

As at 30 June 2023, an amount due to non-controlling interests of a subsidiary of approximately RMB40,142,000 (31 December 2022: RMB19,870,000) was included in other payable and accruals. The amount due to non-controlling interests were unsecured, interest-free and repayable on demand.

As of the end of the reporting period, the ageing analysis of trade and bills payables by invoice, is as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Due within 1 month or on demand	398,982	301,936
Due after 1 month but within 3 months	486,248	414,485
Due after 3 months but within 6 months	426,343	786,243
	1,311,573	1,502,664

13. BANK LOANS

As at 30 June 2023, bank loans were classified as current liabilities which were repayable within one year or on demand and secured as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Secured bank loans (Note ii)	6,802	7,282
Unsecured bank loans (Note iii)	535,000	285,000
	541,802	292,282
Non-current (Note i)	300,000	100,000
Current	241,802	192,282
	541,802	292,282

Notes:

- (i) The loan is an unsecured bank loan with principal amount of RMB300,000,000 (31 December 2022: Nil), bearing a fixed interest rate at 3.8% per annum and repayable in April 2030.
- (ii) As at 30 June 2023, certain bank loans and bills payables (Note 12) of the Group were secured by a property with carrying amount of approximately RMB41,235,000 (31 December 2022: RMB40,065,000) and pledged bank deposits of approximately RMB235,000,000 (31 December 2022: RMB185,000,000) (Note 11).
- (iii) As at 30 June 2023, bank loans and bills payables (Note 12) of the Group were also guaranteed by certain subsidiaries of the Company (31 December 2022: Same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2023		At 31 December 2022	
	No. of shares '000	Amounts HK\$'000	No. of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000

	No. of shares '000	Amount HK\$'000	Amount RMB'000
Ordinary shares, issued and fully paid:			
At 1 July 2022, 31 December 2022	2,067,602	206,760	182,298
Issues of ordinary shares by exercise of share options (Note)	80	8	7
At 30 June 2023	2,067,682	206,768	182,305

Note:

In April 2023, pursuant to the partly exercise of share options, the Company allotted and issued an additional 80,000 shares at the offer price of HK\$4.1 per share. The additional net proceeds from the exercise of share options amounted to HK\$328,000 (equivalent to RMB289,000), were recorded in share capital and share premium account.

(b) Dividends

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interim dividend declared after the interim period of HK6.5 cents per ordinary share (2022: Nil)	124,061	–

The interim dividend declared have not been recognised as a liability at the end of the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

15. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions and balances with related parties

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Amount due to non-controlling interest of a subsidiary (included in trade and other payables) (Note 12)	40,142	19,870

(b) Key management personnel remuneration

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	17,017	16,497
Post-employment benefits	352	310
	17,369	16,807

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

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) 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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value RMB'000	Fair value measurements categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
At 30 June 2023 (Unaudited)				
Financial asset:				
Unlisted equity security	22,881	–	–	22,881
At 31 December 2022 (Audited)				
Financial asset:				
Unlisted equity security	32,948	–	–	32,948

During the six months ended 30 June 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2022: 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.

(ii) 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 30 June 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% (31 December 2022: 5%) would have increased/decreased the Group's other comprehensive income by approximately RMB1,739,000 (31 December 2022: approximately RMB2,270,000).

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Balance at 1 January	32,948	26,729
Net unrealised (loss)/gain recognised in other comprehensive income during the period	(10,067)	839
Balance at 30 June	22,881	27,568

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. COMMITMENTS

- (a) Contractual commitments outstanding at 30 June 2023 not provided for in the interim financial statements were as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Advertising and marketing expenses	75,805	68,698

- (b) Capital commitments outstanding at 30 June 2023 not provided for in the interim financial statements were as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Contracted for		
Property, plant and equipment	15,340	–
Authorised but not contracted for		
Property, plant and equipment	14,756	–
	30,096	–

- (c) At 30 June 2023, the lease commitments for short-term leases not included in the lease liabilities as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 1 year	357	360

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company had complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2023.

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

As at 30 June 2023, 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 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:

- 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.
- 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.
- 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 younger brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao.
- 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 30 June 2023, 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.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

SHARE OPTION SCHEME

Share Option Scheme

In view of the amendments of the Listing Rules in relation to share option scheme with effect from 1 January 2023, on 28 April 2023, the Company adopted a new share option scheme (“the Share Option Scheme”) and terminated its previous share option scheme adopted on 18 May 2021 (“the Previous Share Option Scheme”). The purpose of the Share Option Scheme are (i) to enable the Company to grant options to the eligible participants under the Share Option Scheme as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the shareholders to promote the long-term financial and business performance of the Company.

The maximum number of shares which may be issued upon the exercise of all the options and awards to be granted under the Share Option Scheme and any other share 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. 206,768,200 shares. Pursuant to the Share Option Scheme, where any grant of options would result in the shares issued and to be issued upon exercise of the options or awards granted and to be granted to that person (excluding any options and Awards lapsed in accordance with the terms of the Share Option Scheme or the other share schemes of the Company) under the Share Option Scheme and any other share schemes of the Company in any 12-month period up to and including the date of such further grant exceeds 1% of the Company’s issued share capital, such grant must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person of the Company) abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the board of Directors to the grantee, which period may commence from the date of offer but shall end in any event not later than 10 years from the date of offer of that option subject to the provisions for early termination thereof. The vesting period for options under the Share Option Scheme shall not be less than 12 months from the date of acceptance of the offer except under specific circumstances as stipulated under the Share Option Scheme. Eligible participants of the Share Option Scheme are required to pay the Company HK\$1.0 upon acceptance of the offer within 21 days from the date of offer. 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 sheet on the date of the offer; 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 date of the offer.

The Share Option Scheme shall be valid and effective for a period of 10 years from 28 April 2023. Please refer to the circular of the Company dated 4 April 2023 for further details of the terms of the Share Option Scheme.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

On 21 June 2021, the Company granted a total of 100,000,000 share options to 118 eligible participants of the Group under the Previous Share Option Scheme. 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 1% individual limit of each eligible participant. The following table discloses movements in the Company's share options during the six months ended 30 June 2023 under the Previous Share Option Scheme:

Name or category of participant	Date of grant (Notes 1 to 2)	Vesting period	Exercise period	Exercise price per share	Balance as at 1 January 2023	Number of Options				Balance as at 30 June 2023
						Granted during the period	Exercised during the period (Note 3)	Cancelled during the period	Lapsed during the period	
Employees of the Group	21 June 2021	From date of grant until commencement of exercise period	From 21 December 2022 and expiring on 20 June 2023 (both dates inclusive)	HK\$4.10	51,680,000	-	80,000	-	51,600,000	-
Business partners of the Group										
— Shi Weijiu	21 June 2021	From date of grant until commencement of exercise period	From 21 December 2022 and expiring on 20 June 2023 (both dates inclusive)	HK\$4.10	12,480,000	-	-	-	12,480,000	-
— Zhang Zhongyue	21 June 2021	From date of grant until commencement of exercise period	From 21 December 2022 and expiring on 20 June 2023 (both dates inclusive)	HK\$4.10	12,480,000	-	-	-	12,480,000	-
— Other business partners of the Group	21 June 2021	From date of grant until commencement of exercise period	From 21 December 2022 and expiring on 20 June 2023 (both dates inclusive)	HK\$4.10	20,240,000	-	-	-	20,240,000	-
					96,880,000	-	80,000	-	96,800,000	-

Notes:

- The closing price was HK\$4.10 per share on the date of the grant. The closing price of the shares of the Company immediately before the date of grant was HK\$4.12 per share.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

2. 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. 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.

3. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$4.21 per share.

The Previous Share Option Scheme was terminated on 28 April 2023. The number of options available for grant under the mandate of the Previous Share Option Scheme (taking into account the number of options lapsed) was 109,880,200 as at 1 January 2023.

The number of options available for grant under the mandate of the Share Option Scheme was 206,768,200 as at 30 June 2023. The number of options available for grant under the service provider sublimit of the Share Option Scheme was 103,384,100 as at 30 June 2023.

The Company does not have any other share option or share award scheme other than the Share Option Scheme adopted on 28 April 2023. The Company did not grant any share options during the six months ended 30 June 2023.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

As at 30 June 2023, 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	L 340,066,332	16.45%
Ming Rong International Company Limited	(3)	Beneficial owner	L 327,624,454	15.85%
Hui Rong International Company Limited	(4)	Beneficial owner	L 324,066,454	15.67%
Jia Wei International Co., Ltd.	(5)	Beneficial owner	L 168,784,611	8.16%
Jia Chen International Co., Ltd.	(6)	Beneficial owner	L 168,784,611	8.16%
Wang Jiachen	(6)	Interest in controlled corporation	L 168,784,611	8.16%

Notes:

- The letter "L" indicates long position whereas the letter "S" indicates short position.
- 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.
- 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.
- 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.
- 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..
- These shares are held by Jia Chen International Co., Ltd., which the entire issued share capital is owned by Mr. Wang Jiachen. Mr. Wang Jiachen is the brother of Mr. Wang Jiabi, an executive director.

Save as disclosed above, as at 30 June 2023, 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.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company has confirmed with all directors of the Company that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2023.

REVIEW OF INTERIM 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 has reviewed with management the accounting principles and practises adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2023. They considered that the unaudited interim financial statements of the Group for the six months ended 30 June 2023 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of interim results	15 August 2023
Ex-entitlement date for interim dividend	28 August 2023
Closure of register of members	30 August to 1 September 2023
Record date	1 September 2023
Payment date of interim dividend	on or about 12 September 2023

DIVIDENDS

The Board resolved to declare an interim dividend of HK\$6.5 cents (equivalent to RMB6.0 cents for illustration purpose only) for the six months ended 30 June 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 30 August 2023 to Friday, 1 September 2023, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be ledged 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 29 August 2023.

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

Room 1609, Office Tower
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1 Harbour Road
Wanchai, Hong Kong SAR of the PRC
Tel: +852 2907 7033

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 (陳闖)

BOARD COMMITTEES

Audit Committee

Wu Ming Wai Louie (胡明偉)
(Chairman)
Hon Ping Cho Terence (韓炳祖)
Chen Chuang (陳闖)

Remuneration Committee

Chen Chuang (陳闖) (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)

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Xiamen, Fujian Province 361009
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Jinjiang City
Fujian Province 362261
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Grand Cayman, KY1-1111
Cayman Islands

AUDITOR

Moore Stephens CPA Limited

LEGAL ADVISERS AS TO HONG KONG LAWS

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