361 Degrees International Limited
361 度 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1361)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board (the "**Board**") of directors (the "**Directors**") of 361 Degrees International Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2023. This announcement, containing the full text of the 2023 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results.

361°

361° 二十周年 | 向上再出发

361 DEGREES INTERNATIONAL LIMITED

Stock Code: 1361

2023 ANNUAL REPORT


361°
15

Established in 2003, *361°* was successfully listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01361.HK) in 2009. As a leading sportswear enterprise in China, with the brand positioning of being "professional, youthful, and internationalised", *361°* is a comprehensive sports goods company integrating branding, research and development, design, production, and distribution. Leverage on such advantages, *361°* will continue to adhere to high-value, multi-category sports products and promote the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) to a wider consumer base. *361°* focuses on the development of the *361°* brand and the *361°* kids brand. *361°* focuses on the professional sports functionality of its core categories of product, namely those for running, basketball and sports life. It has launched co-branded products with well-known IPs to reach broader consumer groups. Continuing sports DNA of *361°*, *361°* kids is positioned as a "Youth Sports Expert", with differentiated competitive advantages of professional functionality, health technology, playfulness and trendy elements to better meet the needs of various sports equipment for children and adolescents.

Currently, *361°* has over 9,000 points-of-sale in China and worldwide, selling to all major cities and regions in China, thereby making it a strong market presence.

CONTENTS

Brand Milestones	**02**
Awards in 2023	**04**
Financial and Operational Review	**06**
Five-Year Financial Summary	**08**
Chairman's Statement	**10**
Management Discussion and Analysis	**16**
Report of the Directors	**62**
Corporate Governance Report	**76**
Directors and Senior Management	**92**
Independent Auditor's Report	**96**
Consolidated Statement of Profit or Loss	**102**
Consolidated Statement of Profit or Loss and Other Comprehensive Income	**103**
Consolidated Statement of Financial Position	**104**
Consolidated Statement of Changes in Equity	**106**
Consolidated Statement of Cash Flows	**107**
Notes to the Consolidated Financial Statements	**109**
Shareholder Information	**190**
Company Information	**192**

BRAND MILESTONES

2003

361° brand established.

2005

361° was awarded "China Famous Brand".

361° was selected as "China's 500 Most Valuable Brands".

361° was ranked the first in the "China's Top 100 Potential Enterprises" list released by Forbes (Chinese version).

2009

361° was officially listed on the Main Board of the Hong Kong Stock Exchange.

361° became the official sponsor of the Olympic Council and the delegation of the 2010 Asian Games.

361° kids was launched.

2015

361° officially commenced e-commerce business.

2016

361° became the official partner of the 2016 Summer Olympic and Paralympic Games, being the first Chinese sporting goods brand to sponsor the Olympics.

2018

361° was named as one of "China's 500 Most Valuable Brands" for 14 consecutive times.

2019

361° celebrated its 10th anniversary of being a listed company.

2020

361° has been the official partner of the Asian Games for four consecutive times.

361° signed a contract with Aaron GORDON, an international basketball superstar, as a new brand ambassador, marking an important step for the development of basketball products.

361° was recognised by the industry with the following design and marketing awards:

- 2019 Best Sports Innovation Award
- 2020 ISPO Award – Global Design Award for Running Shoes
- The 43rd Spring/Summer 2021 Fabrics China Award – The Best Marketing Application Award
- Recommended by Runner's World, a Swedish magazine, as the "Best Buy"
- 2020 Red Dot Award – Product Design

2021

361° was recognised by the industry with the following sporting contribution and product design awards:

- Outstanding Contribution Award of the Asian Games
- Fashion Brands Award of China
- Test 4 Outside Best Buy Award
- 2021 Top 25 Best Running Shoes
- 2021 German Red Dot Design Award
- 2021 Carbon-plated Running Shoes Certified by the World Athletics

361° appointed GONG Jun (龔俊), a well-known young Chinese actor, as the global brand ambassador, deepening the brand rejuvenation.

2022

361° cared about environmental protection and was the first in the industry to put forward— the "carbon capture" concept.

361° launched its racing family running shoe matrix and released multiple professional carbon-plated running shoes.

361° signed a contract with Spencer DINWIDDIE, an international basketball superstar.

361° became an official partner of China National Rope Skipping Team.

361° launched an NFT digital collection with the famous IP FATKO.

2023

361° sponsored the Hangzhou Asian Games as the official partner.

361° officially announced Nikola JOKIC, an international basketball superstar, as its global brand ambassador.

AWARDS IN 2023

R&D

Flying Flame 3.0

- 2023 China Design Intelligence Award

SPIRE5

- FIRST AWARD

by Test 4 Outside, France

CENTAURI

- One of the five best training shoes for 2023

by the "Runner's World", US

- Best Value for money Running Shoes Award

from "Runner's World", Germany

- Included in "Innovation" and "Walking & Running" categories

by FIT Sport Design Awards, Switzerland

- Hot Deal Award for its value for money

by Test 4 Outside, France

Social Responsibility

Mr. Ding Wuhao was honoured with the

"Influential Person of the Year" at the Annual Brand Conference 2023 of "Southern Weekly"

Capital Market

- Best Capital Market Communication Award, Best IR Director

from the 7th **China IR Annual Awards**

- The 14th China Listed Companies (Hong Kong Stocks) Investor Relations ("**Tianma Award**")
- The 6th **New Fortune** Best IR of Hong Kong Listed Company (H-share)
- ESG Innovation Award 2023

by The Guangdong-Hong Kong Macau Greater Bay Area

- Best Investor Relations Company
- Best Investor Relations Team
- Best Investor Relations Specialist

from the 9th **Hong Kong Investor Relations Association**

FUTURA

- Best Lightweight Trail Shoe – Editor's Choice Award

by "OUTSIDE", US

The "Louvred Window"

- 2023 China Top Ten Textile Technology – Emerging Technology Award

CQT Carbon Critical Technology

- Blue Whale JING CHAO AWARDS

— Hardcore Technology Award

Brand Marketing

- Outstanding Sports Marketing

by Economic Observer

- Most Influential Consumer Brand of the Year Award

by CAIJING.COM.CN

- 2023 Best Marketing Brand

by Lanxiong Sports

- 2023 Elite Race of the Year Award, 2023 Sports Marketing Award

by SPORTS MONEY

- Commercial Sponsorship Award, Outstanding Sports Endorsement Award

by ECOTIME CONFERENCE

FINANCIAL AND OPERATIONAL REVIEW

FINANCIAL PERFORMANCE

Revenue
increased by 21.0% to
RMB8.42 Billion

Revenue from the
361° Kids Business
increased by 35.7% to
RMB1.96 Billion

Revenue from
E-commerce business
increased by 38.0% to
RMB2.33 Billion

Profit attributable to
equity shareholders
increased by 28.7% to
RMB961 Million

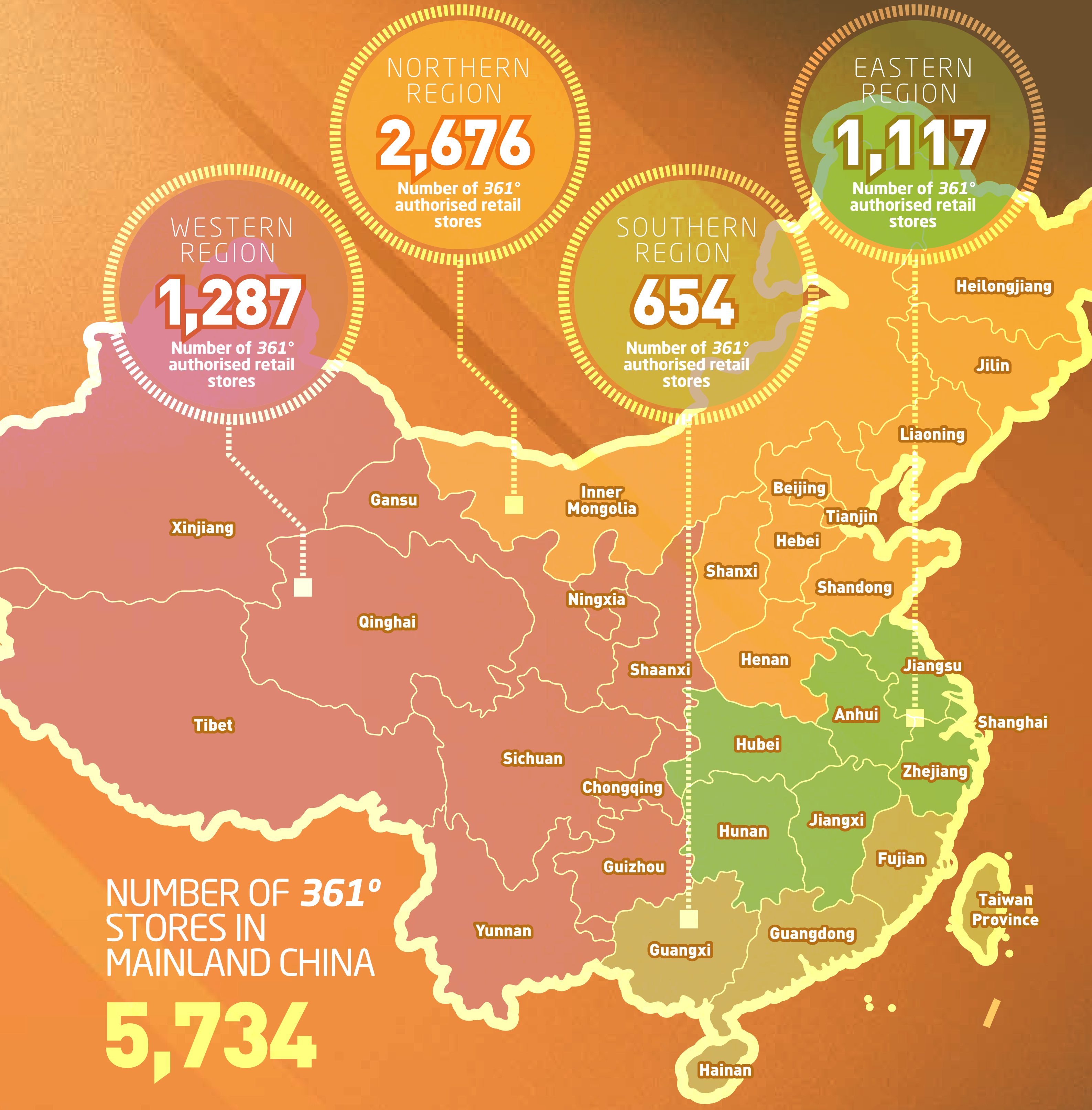
Basic earnings per share
increased by 28.7% to
RMB46.5 Cents

OPERATIONAL PERFORMANCE

Number of *361°* stores in
Mainland China
5,734

Number of *361°* Kids points-of-sale
in Mainland China
2,545

Number of *361°* international
points-of-sale
1,260



NUMBER OF ***361°*** STORES IN MAINLAND CHINA

5,734

NUMBER OF ***361°*** KIDS POINTS-OF-SALE IN MAINLAND CHINA **2,545**

NUMBER OF ***361°*** INTERNATIONAL POINTS-OF-SALE **1,260**

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2023	2022	2021	2020	2019
Profitability data *(RMB'000)*					
Revenue	**8,423,257**	6,960,826	5,933,482	5,126,958	5,631,866
Gross profit	**3,462,155**	2,820,648	2,472,420	1,941,733	2,269,616
Operating profit	**1,383,549**	1,074,145	1,083,122	822,690	887,250
Profit attributable to equity shareholders	**961,427**	747,117	601,700	415,065	432,403
Earnings per share					
— basic *(RMB cents)*	**46.5**	36.1	29.1	20.1	20.9
— diluted *(RMB cents)*	**46.5**	36.1	29.1	20.1	20.9
Profitability ratios *(%)*					
Gross profit margin	**41.1**	40.5	41.7	37.9	40.3
Operating profit margin	**16.4**	15.4	18.3	16.0	15.8
Margin of profit attributable to equity shareholders	**11.4**	10.7	10.1	8.1	7.7
Effective income tax rate *(Note 1)*	**23.7**	23.3	29.0	29.4	35.0
Return on shareholders' equity *(Note 2)*	**11.3**	9.9	8.8	6.4	7.2
Operating ratio (as a percentage of revenue) *(%)*					
Advertising and promotion expenses *(Note 3)*	**12.7**	11.4	10.2	9.6	9.0
Staff costs	**9.2**	9.8	11.1	9.8	9.1
Research and development	**3.7**	3.8	4.2	4.0	3.8

Notes:

1) Effective income tax rate is equal to the income tax divided by the profit before taxation.

2) Return on shareholders' equity is equal to the profit attributable to equity shareholders divided by the average opening and closing equity attributable to equity shareholders of the Company.

3) Advertising and promotion expenses included the cost of advertising expenses via e-commerce platforms in this year and 2022. In previous years, the cost of advertising expenses via e-commerce platform was grouped under online selling expenses and excluded in the calculation of advertising and promotion expenses as a percentage of revenue.

FIVE-YEAR FINANCIAL SUMMARY

	As at 31 December				
	2023	2022	2021	2020	2019
Assets and liabilities data *(RMB'000)*					
Non-current assets	**1,447,918**	1,152,133	1,154,660	1,181,475	1,246,409
Current assets	**11,617,332**	11,283,764	10,083,326	10,440,087	10,659,854
Current liabilities	**3,088,042**	2,905,509	2,668,029	4,041,217	2,809,010
Non-current liabilities	**254,038**	112,709	14,316	14,354	2,438,239
Equity attributable to equity shareholders	**9,082,367**	7,943,530	7,116,765	6,608,913	6,322,505
Non-controlling interests	**640,803**	1,474,149	1,438,876	957,078	336,509
Asset and working capital data					
Current asset ratios	**3.8**	3.9	3.8	2.6	3.8
Gearing ratios *(%)* *(Note 4)*	**2.2**	2.4	1.8	16.7	21.2
Net asset value per share *(RMB)* *(Note 5)*	**4.7**	4.6	4.1	3.7	3.2
Inventory turnover days *(days)* *(Note 6)*	**93**	91	87	111	120
Trade and bills receivable turnover days *(days)* *(Note 7)*	**149**	147	149	159	149
Trade and bills payable turnover days *(days)* *(Note 8)*	**110**	121	122	151	179
Working capital turnover days *(days)*	**132**	117	114	119	90

Notes:

4) The calculation of gearing ratio is based on the interest-bearing debt divided by the total asset of the Group as at the end of the year.

5) The calculation of net asset value per share is based on the net assets divided by weighted average number of ordinary shares for the year.

6) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 365 days.

7) Trade and bills receivable turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by revenue and multiplied by 365 days.

8) Trade and bills payable turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 365 days.

CHAIRMAN'S STATEMENT

> By embracing change with agility, the Group remains resolute in moving forward, develops strategic plans, and takes action towards long-term sustainable development.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of 361 Degrees International Limited (the "Company" or "*361°*"), I am extremely pleased to present the annual results of the Company and its subsidiaries (which are collectively referred to as the "Group" or "*361°* Group") for the year ended 31 December 2023 (the "year under review").

In 2023, the global economy experienced rapid reconstruction, while the People's Republic of China (the "PRC") maintained strategic stability with a robust macroeconomic foundation. The recovery momentum continued to strengthen, showcasing the market's considerable resilience. With the comprehensive restoration of economic and social order, China's consumer market is gradually rebuilding confidence. Favourable policy measures, along with the impact of significant events like the 19th Asian Games held in Hangzhou (the "Hangzhou Asian Games"), have accelerated the unlocking of domestic sports consumption potential, fostering a thriving sports industry. In this new era, the national fitness strategy is injecting fresh momentum into the sustained and high-quality development of the sports industry.

During the year under review, the Group recorded a revenue of RMB8.4 billion, representing a year-on-year increase of 21.0%. Profit attributable to the equity shareholders was RMB961.4 million, representing a year-on-year increase of 28.7%. To appreciate the shareholders for their consistent support to our Group, the Board has recommended to declare a final dividend for the year under review of HK13.9 cents (equivalent to RMB12.7 cents for illustration purpose only) per ordinary share ("2023 Final Dividend"). Subject to approval at the general meeting, the Group has distributed a total dividend of HK20.4 cents per ordinary share (equivalent to RMB18.7 cents for illustration purpose only), representing a dividend payout ratio of 40.2%, allowing Shareholders to share in the success of its operations.

MULTI-DIMENSIONAL SHOWCASE OF BRAND STRENGTH EMPOWERED BY THE HANGZHOU ASIAN GAMES

Over the past two decades, our relentless dedication and unwavering commitment to the spirit of "Passion" have been the driving force behind our brand's development. In 2023, on *361°*'s 20th anniversary, we consider this dynamic and transformative year as a new starting point. Aligning with policies and consumer trends, we have defined the strategic direction of our Group, focusing on continually cultivating the market value in the professional sports sector. Recognising that professional sports prowess is the foundation for long-term success, we leverage on various resources, including major events, professional sports teams, elite athletes, and brand ambassadors to empower our brand. This allows us to enhance our brand's professionalism and strengthen our market position.

Supporting major sports events and promoting the spirit of sports has always been a tradition of our Group. In 2023, with the full resumption of domestic offline events and the successful hosting of the Hangzhou Asian Games in China, our Group seised the opportunity to expand our brand influence. As the first Chinese sports brand to sponsor the Olympic Games and the Asian Games for four consecutive times, *361°* Group takes great pride in pioneering intercontinental multi-sport event sponsorship among Chinese sports brands. We deliver the brand ethos of "ONE DEGREE BEYOND" (多一度熱愛) to global audiences, empowering Chinese sports brands to extend into a broader international market.

Through our strategic partnership with the Asian Games for four consecutive times, *361°* has established itself as a unique cultural icon associated with the event. Our new brand slogan "One Degree Beyond Chinese Passion" (中國熱愛　多一度), designed specifically for the Asian Games, serves as a powerful means of conveying our brand's essence and solidifying our esteemed professional position in the consumer market. Throughout the entire process, from event preparation to the closing ceremony, *361°* demonstrated its remarkable capabilities as a leading Chinese sportswear brand to the global audience. We sponsored sportswear, accessories, and equipment, organised offline sporting events, actively participated in the torch relay, and established Asian Games flagship stores and an Asian Games Exhibition Hall. Through these initiatives, we showcased our high-quality products integrating technology and "China-Chic" to enthusiastic games followers, integrating the professional brand image of *361°* Group into the promotion of the Asian Games. Furthermore, through increased allocation of promotional resources for the Hangzhou Asian Games at the national level and leveraging the immense potential of digital technology and emerging social media platforms, *361°* achieved higher-than-expected exposure during the event, significantly enhancing brand influence and visibility.

STRENGTHENING THE BRAND'S PROFESSIONAL SPORTS DNA WITH A LONG-TERM PERSPECTIVE

In 2023, China's consumption market witnessed a gradual recovery, accompanied by a flourishing emergence of new consumption patterns. As consumer preferences leaned towards specialisation, diversification, and cost effectiveness, the professionalism of sports goods became the key to long-term success. Positioned as a "professional, youthful, and internationalised" brand, the Group has built a diversified brand matrix based on professional functions and its own-branded IP, catering to a wider consumer base. Beyond satisfying consumer needs, the Group is continuously expanding its brand presence to reach a broader consumer base by staying ahead of sports trends.

In the field of running, we have been actively expanding our product matrix and cultivated a professional brand ambassador system, while establishing running communities nationwide. We launched a series of new running shoes, such as "Flying Flame 2.0" (飛燃2.0), "Flying Flame 2.5" (飛燃2.5), "Flying Flame 3.0" (飛燃3.0) and "Furious Future" (飛飈Future), and partnered with well-known Chinese marathon athletes, including LI Zicheng (李子成) and GUAN Yousheng (管油勝) as brand ambassadors. At several marathon events, numerous elite runners achieved remarkable results with our *361°* new running shoe products, solidifying the brand's professional position in the running sphere. We are delighted to note a significant increase in the wearing ratio of *361°* running shoes in marathon events, demonstrating the enhanced recognition of its professional functionality among professional runners.

In the basketball sector, our brand's professional influence is surging. The exceptional performance of Aaron GORDON, our brand ambassador, helped his team claim the championships for the 2022-2023 season. Such success propelled our "AG series", "ZEN. V" (禪5), and other basketball footwear to become bestsellers, establishing *361°* Group as a standout winner in the marketing of domestic sports brands in 2023. During the year under review, on the Brand Day held in December, we made a significant announcement by introducing international basketball superstar Nikola JOKIC as our global brand ambassador, greatly enhancing our brand's influence. Additionally, we signed contracts with LI Mengwen (李夢雯), a player from the Chinese women's football team, as a football promotion ambassador, and LI Yiyang (黎伊揚) as the new basketball product ambassador and Flame Series (燃派) player, as well as LI Yuan (李緣), a champion of the Hangzhou Asian Games and a key guard in the women's basketball team, as our new female basketball ambassador. To further strengthen our presence in the basketball community, we appointed LV Xiaoming (呂曉明), a basketball celebrity, as the head coach for *361°* Youth Basketball, and launched the "Light Up — Junior Basketball Training Camp" (觸地即燃•少年籃球訓練營), expanding our resources to target the youth demographic and broaden our potential customer base. Furthermore, our "China Tour" (中國行) activities featuring brand ambassadors Spencer DINWIDDIE and Aaron GORDON garnered significant exposures, enabling us to reach a wider consumer base and reinforce the brand's professional image.

We maintained our professional brand image and expanded our presence in the mass market through our proprietary IP events and activities, such as "3# Track" (三號賽道), "Light Up" (觸地即燃) and "Women's Fitness Gym" (女子健身局). During the year under review, we raised the profile of "3# Track" (三號賽道) by establishing the first "3# Track Club" (三號賽道俱樂部) in Xiamen, which further enhanced our influence among professional runners and elite athletes. The upgraded fourth season of "Light Up" (觸地即燃) actively collaborated with "Village Basketball Association" (村BA), resulting in a significant increase in event scale and expansion of hosting cities, with record-breaking participant numbers and event sessions. By partnering with the world artistic swimming champions JIANG Wenwen (蔣文文) and JIANG Tingting (蔣婷婷), as the image ambassadors for women's training, launching the "Women's Fitness Gym Summer Training Programme" (女子健身局夏訓計劃) and collaborating with major sports events such as the Kula Yoga Festival, our "Women's Fitness Gym" (女子健身局) currently reached fifteen cities in the PRC, rapidly expanding the influence of our events.

While consolidating the professional sports functionality of our products, we prioritised the unique needs of the younger consumer group and actively expanded our reach by enhancing the style of our products. During the year under review, we collaborated with our global brand ambassador GONG Jun (龔俊) to launch fashionable and highly sought-after products, enabling our products and brand to be well-received among the younger consumer group. Furthermore, we expanded into emerging markets by collaborating with Dewu.com to release a limited-edition gift box of skateboarding shoes and co-creating *361°* "Soaring Cloud" (騰雲) skateboarding shoes with GAO Qunxiang (高群翔), the champion in street skateboarding of China National Games, marking our official entry into the skateboarding sector. Notably, we launched a new product release fashion show featuring "Eternity" (恒) by collaborating with the China Fashion Design Top Award winner, LIU Yong (劉勇). Additionally, we extended our presence into the meta-universe by partnering with the top-tier Non-Fungible Token ("NFT") IP "Bored Ape Yacht Club (無聊猿)" to launch the co-branded products, enhancing our brand's youthful image across various formats and settings, garnering widespread attention from the younger generation.

PROMISING POTENTIAL IN THE CHILDREN'S SPORTSWEAR SECTOR WITH WELL-ESTABLISHED ADVANTAGES IN THE KIDS BUSINESS

In recent years, the PRC government's growing focus on the health and fitness of children and adolescents, along with the implementation of various policies promoting the coordinated development of cultural learning and physical exercise, has led to a surge in the demand for sports consumption. Capitalising on these favourable trends, including shifts in domestic family structures, the emergence of new childcare demographics, and the expansive mass market, the kids' sports wear segment has emerged as a promising and largely untapped market. *361°* Kids has effectively seised upon the development opportunities in this sector, and sustained a high-growth momentum by virtue of its resource deployment advantages.

In terms of positioning, *361°* Kids aligns with the brand ethos of "ONE DEGREE BEYOND" (多一度熱愛) from the *361°* brand. We've embraced the empowering brand statement "CHASING YOUR LOVE!" (熱愛吧，少年！), by positioning ourselves as a "Youth Sports Expert" (青少年運動專家) and catering to the children's and adolescents' sporting goods market. Our dedication lies in meeting the diverse sportswear needs of this demographic. Regarding products, *361°* Kids focuses on the professional categories such as running, rope skipping, basketball, and football, to provide sports wear products that efficiently integrate professional functionality, health technology, playfulness and trendy elements, catering to children and adolescents of all age groups. By striking a balance between professional performance and stylish designs, *361°* Kids has established a leading advantage in terms of professional sports resources, product matrix and channel scale, with a steady increase in the penetration rate of its business.

CHAIRMAN'S STATEMENT

361° Kids focuses on the optimisation of product matrix and the expansion of product audience to further consolidate its competitive advantage. By progressively increasing the proportion of professional sporting products in our product matrix, we continued to strengthen *361°* Kids' brand image as a "Youth Sports Expert" (青少年運動專家), which accelerated our efforts to capture market share and consumer awareness in the kids' wear sector. Capitalising on the advantages of the *361°* brand and organisational experiences in our own-branded IP events, we also expanded our own-branded IP events of core brand to adolescents and broadened the brand's audience reach. During the year under review, *361°* Kids iterated and upgraded its rope skipping equipment, supporting the Chinese National Rope Skipping Team in achieving new speed records and better results, thereby enhancing the brand's authority and professionalism in the field of rope skipping. Meanwhile, the channel scale of *361°* Kids grew steadily, with the number of kid's points-of-sale reaching 2,545 in 2023, a net increase of 257 compared to the end of 2022. With the continuous expansion of store size, *361°* Kids has strengthened the synergy between brand resources and its physical stores, efficiently driving sales conversion in physical stores.

STEADILY ENHANCING OMNI-CHANNEL STRATEGY BY STRENGTHENING CORE GROWTH MOMENTUM WITH SCIENTIFIC INNOVATION

Scientific innovation capabilities are crucial determinants of a brand's competitiveness, serving as a driving force for continuous progress and adaptability of a brand. As of 31 December 2023, we have secured 494 patents, and received various prestigious titles, including being recognised as a national advanced technology enterprise, national green factory, national green supply chain management enterprise, exemplary unit of the national sports industry, national industrial design centre, national society service station, national intellectual property advantage enterprise, and provincial technology centre. With two decades of scientific innovation achievements in the field of professional sports goods, we are well-positioned to better grasp the opportunities and effectively navigate through fierce domestic and international competition.

By fully implementing our operational strategy of "Driving the Brand with Professional Sports" and intensifying our investment in technological research and development ("R&D"), we have achieved multiple iterations and upgrades in our technologies, significantly enhancing the professional attributes of our product matrix. As a result, we have consistently garnered awards both domestically and internationally. During the year under review, our professional sports products have empowered our ambassadors, such as Nikola JOKIC, Aaron GORDON, LI Zicheng (李子成) and LI Bo (李波), to become "faster, higher and stronger" in their competitions, repeatedly validating the competitiveness of our products in the professional field. The high-demand products worn by our ambassadors, including the "BIG3 Future", "AG", "ZEN. V" (禪5), and "Furious Future" (飛飈Future), stimulated shopping frenzies, further enhancing *361°*'s influence among the professional community. Furthermore, on the Brand Day, we unveiled the "CQT Carbon Critical Running Professional Matrix" (CQT碳臨界跑步專業矩陣), which empowers green and low-carbon products with technology. We are actively collaborating to advance energy-saving and emission-reduction initiatives within the sports goods industry.

In the digital business environment, the construction of e-commerce channels plays a crucial role in enhancing the core competitiveness of a brand. For our Group, e-commerce serves a dual purpose as being both an online retail channel and a means for brand image promotion. Our goal is to accelerate the digital transformation of our brand and establish e-commerce business as a significant revenue growth driver. To fully unleash the potential of our e-commerce channels, we delved into understanding the consumption behaviours of our online customer base, adjusted the pace of our e-commerce operations, and actively provided products featuring "high attraction, high technology, and high value", forming a differentiated competitive advantage for *361°* in the online sphere. During the year under review, the sales of *361°* through online channels have demonstrated sustained high-speed growth, with e-commerce business becoming one of the core drivers of the Group's expanding performance.

CHAIRMAN'S STATEMENT

In line with the industry trend of "integrating online and offline channels", we deepened our presence in new retail channels such as e-commerce, while making effective progress in offline channel development, steadily increasing the number and average size of our stores. In 2023, the *361°* brand had 5,734 stores in China, representing a net increase of 254 stores compared to the end of 2022. In particular, our presence in shopping malls and department stores has been steadily increasing, with a rapid rise in the proportion of our ninth-generation stores and continuous optimisation in the operational quality and efficiency of our retail stores. Thanks to our comprehensive efforts spanning both online and offline channels, our retail performance has been impressive, achieving remarkable retail sales results during major holiday seasons. The overall operations demonstrated a positive cycle of growth and performance.

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 utmost respect to all our dedicated staff members and valued business partners. 2024 is not only the year of Olympic Games but also a year of abundant domestic and international sports events. With numerous sporting events taking place throughout the year, the enthusiasm for physical exercise among domestic residents in the PRC is expected to become even stronger. This heightened interest is expected to further boost the overall prosperity of the sports industry in the PRC. Being a leading sportswear enterprise in the PRC, *361°* Group is poised to seize such excellent development opportunity. We will intensify our focus on scientific research and innovation to better empower our endeavours, enhance our professional sports DNA, actively fulfil our corporate social responsibilities, and embrace our mission as a national brand. 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, accelerating the improvement of our product standards and enhancing our brand influence. Our "consumer-centric" approach remains central as we consolidate and enhance our existing competitive advantages. The Group will also exert every effort to seize new industry opportunities and cultivate new growth drivers, 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, 13 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

2023 witnessed the economic and social order restored to normality across the country, leading to continued momentum in macroeconomic activities. Despite facing various risk factors, including mounting geopolitical tensions, growing challenges in the supply chain, and persistently high inflation, the global economic landscape is undergoing restructuring at an accelerated pace. Against this backdrop, the PRC government has implemented measures to stabilise the economy, with an effort to promote high-quality economic development, which remains crucial in the global economic recovery. According to the National Bureau of Statistics of China ("NBS"), China's gross domestic product ("GDP") throughout 2023 amounted to RMB126,058.2 billion, representing a year-on-year increase of 5.2%, highlighting the solid foundation and resilience of China's economy.

China has maintained a positive economic trajectory over the years, laying a solid foundation for improving domestic income. According to the NBS, the per capita disposable income of residents in China reached RMB39,218 in 2023, representing a nominal increase of 6.3%. In the meantime, the pent-up consumption potential among residents in China is being rapidly released. Government-led policies aimed at expanding domestic demand have spurred the emergence of new consumption models and preferences, energising the consumer market. According to the NBS, the total retail sales of social consumer goods nationwide amounted to RMB47,149.5 billion in 2023, representing a year-on-year increase of 7.2%. Specifically, due to a sustained growth momentum for online consumption, China's online retail sales of physical goods amounted to RMB13,017.4 billion, representing a year-on-year increase of 8.4%, and accounting for 27.6% in total retail sales of consumer goods. The consumer market has manifested a conspicuous recovery momentum, elevating the domestic apparel and accessory industry to new heights. According to the NBS, retail sales of apparel, footwear, headwear and knitwear for 2023 by enterprises above a designated size in China grew by 12.9% on a year-on-year basis, higher than the growth rate of the retail market of consumer products. In the long run, China's sportswear market will continue to unleash its growth potential.

MANAGEMENT DISCUSSION AND ANALYSIS

Policy support and increased public health awareness have propelled the sports industry to become a significant driver of China's national economy's high-quality development. In 2023, as the PRC government focused on implementing the 14th Five-Year Plan, policies on the sports sector prioritised improving national fitness services, revitalising rural sports and fostering campus sports development. Efforts were also directed towards supporting new scenarios such as outdoor sports. Furthermore, the PRC government continued to promote the construction of the legal framework for the sports industry and improve sports facilities. During the year under review, 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》) officially came into effect, further improving the standardisation of the legal framework pertaining to sports. On the policy support front, various favourable policies were introduced, including the "Key Points for Public Sports Work in 2023" (《二零二三年群眾體育工作要點》), "Guiding Opinions on Advancing Sports to Help Rural Revitalisation (《關於推進體育助力鄉村振興工作的指導意見》), "Work Plan for the Restoration and Expansion of Sports Consumption" (《關於恢復和擴大體育消費的工作方案》), "Action Plan for the Construction and Service Enhancement of Outdoor Sports Facilities (2023–2025)" (《促進戶外運動設施建設與服務提升行動方案(二零二三–二零二五年)》), and "Action Plan for the Enhancement of National Fitness Facilities (2023-2025)" (《全民健身場地設施提升行動工作方案(二零二三–二零二五年)》). These policies strive to improve the physical fitness of the population and promote the high-quality development of the sports industry. With the vision of building a strong and heathy nation through sports, China's sports industry anticipates impressive growth space and potential.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2023, China saw a full revival of offline sports events, including major international events such as the Chengdu 2021 FISU World University Games and the Hangzhou Asian Games, professional tournaments such as the BWF Sudirman Cup and the Chinese Football Association Super League, as well as rural sports events such as "Village Basketball Association" (村BA) and "Village Super League" (村超). The resumption of various sports events sparked great interest and participation in sports among Chinese residents, boosting sports consumption. For instance, the popular "Village Super League" (村超) became a shining success in sports consumption, injecting vitality into the development of rural sports in China and presenting wider market opportunities for sports goods companies in mass market. Under new consumption trends, fueled by factors such as policy supports, incentives brought by sports events, and the strengthened public health awareness, national enthusiasm for fitness soared. This trend is expected to further unleash sports consumption potential in third-tier and lower-tier cities in China, providing a ripe environment for domestic sports goods companies to thrive.

Furthermore, large-scale international sports events organised in the PRC have become an arena to harness China's collective power and showcase its prowess in the sports industry, bolstering public cultural confidence and sustaining the enduring vitality of the "China-Chic" trend. Domestic sports goods brands have also expanded their brand recognition and influence through active sponsorship of these events. With the flourishing development of domestic brands in recent years, domestic high-quality sports brands have continued to enhance their competitiveness in product R&D, design and marketing, earning extensive recognition among consumers. Meanwhile, in the post-pandemic era, consumer attitudes have become more rational, shifting from relatively impulsive and excessive consumption to a focus on quality and price. As Chinese brands continue to improve their quality and innovation, consumer awareness and trust in domestic products have steadily increased. Resonating with local culture, the preference for "localisation" among consumers has become a new trend. In the tenth anniversary commemoration of the "Belt and Road" initiative in 2023, we witnessed a golden era for the new "China-Chic" industries, where domestic brands have been embarking on their excursion into international markets, actively evangelising about the essences of Chinese quality, culture and values. As a result, Chinese brands are gaining traction among overseas consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

At the demand level, the sports goods industry in the PRC is undergoing sweeping changes. Emerging trends, such as the cross-border integration model of "Sports+", empowerment through technological innovation, and environmental protection, have become increasingly apparent. These trends have facilitated the transformation and upgrading of consumption structures and cultivated new opportunities for rapid growth in the sports goods industry. In line with the expanding base of sports enthusiasts and the rising influence of Generation Z as a consumer force, the demand for sports consumption becomes increasingly diversified, multidimensional and personalised. This has led to the emergence of new scenarios, new business formats, new models and new segments, vitalising the sports goods industry in the PRC. On the other hand, the global artificial intelligence ("AI") boom is gaining momentum, expanding the horizons of the sports goods industry through AI empowerment. Notably, the industry is actively embracing environmental practices by innovatively integrating the "sustainability" elements into various aspects of the industry chain, demonstrating a steadfast commitment to high-quality development.

Regarding the kids' sportswear and footwear segment, it stands out as one of the fastest-growing segments within the PRC's sports goods industry. In China, the kids' sportswear and footwear industry benefits from the strong market demand, primarily driven by a large population base, sustained macroeconomic growth, national emphasis on youth and school sports, and other factors. These favourable factors, coupled with the changing of domestic family structures, the rise of a new generation of childcare groups, and the vast mass market, invigorate the growth in the kids' sports wear and footwear industry, maintaining its remarkable prosperity. From a trend perspective, consumers' pursuit of high-quality products and return to rational consumption have increasingly become the mainstream. In the kids' wear and footwear sector, there is a growing preference for branded, personalised and cost-effective options. This provides new avenues and breakthrough opportunities for domestic sports brands.

The Group seizes new opportunities arising from the post-pandemic recovery and adheres to its positioning as a "professional, youthful, and internationalised" brand. We prioritised advancing our brands through professional sports, diversifying product portfolio with technology, and meeting the diverse needs of consumers with high-quality professional products. Adhering to its passion for the sports industry, the Group will actively fulfil its responsibilities and commitments as a corporate citizen, continuously enhance its brand value and influence, and promote the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) across the world, in a bid to become an esteemed global sports brand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

361° Brands and Positioning

The *361°* Group is a leading integrated sportswear company in China with a vertically integrated value chain. Since its inception in 2003, *361°* has consistently embraced the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛), dedicating itself to become a globally respected sports brand. It provides high-value, mass-market professional sports products, while inspiring everyone to engage in sports activities.

The *361°* brand primarily targets the mass sports market, focusing on offering professional and high-value products in categories such as running, basketball, and sports life. This addresses the needs of adult consumers seeking excellence in professional sports and active living.

In addition, the *361°* Kids brand operates as an independent business unit, carrying forward the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) of the *361°* brand. With the brand declaration "CHASING YOUR LOVE!" (熱愛吧, 少年!), it positions itself as the "Youth Sports Expert" (青少年運動專家), concentrating on the children and adolescents sports market.

The Group continues to adhere to a brand positioning of "professional, youthful, and internationalised", focusing resources on cultivating the *361°* brand. Grounded in professional sports, the brand drives upward development, breaking through consumer segments, expanding brand influence, and promoting business growth while satisfying core customers' demands.

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 distributors responsible for exclusively 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 other crucial areas, while maintaining stable cooperation with competent distributors and authorised retailers for efficient product launching.

The Group has established a comprehensive distributor management system to ensure the accurate representation of the brand concept, product functions and design philosophy at each retail outlet. 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 technological attributes 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 monitors product displays and promotion materials in each store to ensure effective marketing campaigns in different timelines, guaranteeing standardised and uniform high-quality sales outlets across the country.

The Group's systematic order management model ensures efficient supply, transparent inventory, and stable retail prices. The Group organises four trade fairs annually to showcase new-season products, inviting all of its distributors and authorised retailers. Orders from authorised retailers are consolidated by their respective primary distributors and submitted uniformly to the Group. The Group reviews orders and provides suggestions to enhance reasonableness of product selection, ensuring healthy retail inventory levels, stable retail discounts, and profitability for retailers, fostering sustainable development and a win-win situation. These trade fairs approximately take place six months before the launch of the relevant new products, ensuring sufficient time for production and delivery to distributors, effectively enhancing visibility for sales performance. During the year under review, the Group hosted four *361°* brand product trade fairs, including the 2023 Winter Trade Fair, 2024 Spring Trade Fair, 2024 Summer Trade Fair, and 2024 Fall Trade Fair. Orders from these four trade fairs exhibited robust growth, primarily driven by increased order volumes.

In the post-pandemic era, the Group proactively collaborated with its distributors and authorised retailers to address relatively conservative consumer demand for non-essential goods. The Group continued to control operating costs and expenses while improving operational efficiency through supply chain optimisation, logistics cost control and information channels integration. Leveraging new social platforms such as WeChat mini programme, Tik Tok, Kuaishou (快手) and Pinduoduo (拼多多), the Group aims to provide a more high-quality and flexible online shopping experience for young consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

361° Core Brand's Retail Network in the PRC

As of 31 December2023, the *361°* brand's retail network consisted of 5,734 stores, representing a net increase of 254 stores compared to 31 December 2022. Geographically, approximately 75.9% of the stores were in third- and lower-tier cities in the PRC, while 5.1% and 19.0% of the stores were in first- and second-tier cities respectively. The Group encourages its distributors and authorised retailers to continue expanding their store footprint by opening larger stores, upgrading to the latest image stores and increasing the number of new stores in shopping malls and department stores. In 2023, driven by the optimisation of our store channel structure and the continuous and steady increase in the average store size, the retail sales exhibited sustained robust performance.

The Group continues to adopt a consumer-centric approach in providing the best shopping experience for consumers, capitalising on new consumer preferences and new trends in consumption habits. As of 31 December 2023, the number of the latest ninth-generation image stores under the *361°* brand increased to 3,698, accounting for 64.5% of the total number of the Group's stores, representing an increase of 15.9% 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. The Group is currently stepping up the design of its tenth-generation image store, continuously exploring ways to enhance the image of its stores.

Meanwhile, 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 year under review, the smart-retail system for physical stores was smoothly implemented, expanding its coverage to more stores. This enabled the timely collection of consumer data, which in turn feeds into product R&D, pricing and marketing strategies. The Group offers a comprehensive and attractive membership system, providing various exclusive membership privileges 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 and repurchase rate.

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

	As at 31 December 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)]	**1,117**	**19.5**	998	18.2
Southern region[(2)]	**654**	**11.4**	604	11.0
Western region[(3)]	**1,287**	**22.4**	1,247	22.8
Northern region[(4)]	**2,676**	**46.7**	2,631	48.0
Total	**5,734**	**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.

Brand Promotion and Marketing

The brand resource matrix of *361°* is based on professional sports and has gradually expanded to encompass a matrix-style development comprising major events, professional sports teams, elite athletes and brand ambassadors. In the future, the Group will continue to leverage its existing structure and adopt a global strategic perspective to plan and allocate resources that are beneficial to the brand.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

On 23 September 2023, the 19th Asian Games officially commenced in Hangzhou. As an "old friend" of the Asian Games for four consecutive times, *361°* leveraged its extensive experience and professional event service capabilities to provide the highest level of professional service assurance for the Asian Games, shining on the world stage with the motto "ONE DEGREE BEYOND" (多一度熱愛). On 1 October 2023, the *361°* Asian Games Exhibition Hall made its debut at the outdoor plaza of Hangzhou Olympic Sports Centre Stadium, also known as "the Big Lotus". *361°* showcased a range of official sportswear and cutting-edge technological products for the four consecutive Asian Games in the Asian Games Exhibition Hall, demonstrating the formidable prowess of *361°* as a leading Chinese sports goods brand to a diverse international audience attending the event. In the future, *361°* will continue uniting the passion of China to contribute to the development of Chinese and international sports events.

Alongside the sponsorship of large-scale sports events, the Group also strategically formulates marketing campaigns that closely follow consumer habits and preferences. In the running sector, we have actively built a nationwide running community alliance and experienced strong growth in our professional racing products, particularly in Marathon Grand Slam. 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 GUAN Yousheng (管油勝) and LI Bo (李波). These sponsorships have significantly enhanced the brand's professional image in the running community through the astounding performances of athletes in marathon events.

On September 24, 2023, *361°*'s professional racing shoes secured the top position in the domestic brand wearing rate at the Berlin Marathon, marking an outstanding performance in the grand slam race circuit. *361°* became the first Chinese brand to make an appearance at the pre-race expo of a major marathon. On October 29, 2023, during the Beijing Marathon, *361°* has became the 2nd most popular domestic brands to dress runners with sub-3 results. On the same day, *361°* running ambassador LI Bo (李波) achieved the runner-up position in the men's category at the Chengdu Marathon, while elite runner ZHANG Shuihua (張水華), under *361°*'s sponsorship, secured the first place in the women's category. Additionally, the "Furious Future" (飛飈Future) professional racing shoe, designed for elite marathon runners, has adopted the cutting-edge Evonik Nylon 12 Rough Embryo Supercritical Foaming Technology (贏創尼龍12粗胚超臨界發泡工藝), resulting in an energy rebound of over 90%. This advancement empowers runners to take the lead on the racetrack. On 12 November, 2023, *361°* running ambassador LI Bo (李波) won the championship of the domestic Men's race in the Nanchang Marathon with a time of 2 hour, 11 minutes and 23 seconds, setting a new personal best record, surpassing his previous record by 1 minute and 56 seconds. Meanwhile, *361°* contracted elite runners swept the top three spots in the Men's race. On 25 November, 2023, *361°* unveiled its new professional marathon racing shoes "Flying Flame 3" (飛燃3), helping brand ambassador LI Zicheng (李子成) in securing the first place in men of China in the 2023 Yiwu Half Marathon with a time of 1 hour, 4 minutes and 4 seconds.

The 3# Track — 10 Kilometres Race is *361°*'s proprietary IP. The inaugural event took place in Xiamen, prioritising professional racing as its core focus. Initially centred around running group training and incorporating half and full marathon events, 3# Track has evolved its race formats since 2023, placing a greater emphasis on enhancing the competitive nature of the races. The introduction of the 10KM Speed Series has added a stronger competitive element to 3# Track events. During the year under review, ten 3# Track — 10 Kilometres Race Series have expanded to cities where the Group's core businesses are operated, including Xiamen, Zhengzhou, Shijiazhuang, Nanjing, Jinan, Shenyang, Hangzhou, Chengdu, and Xi'an.

In the basketball sector, *361°* saw a strong growth momentum in its basketball category, propelling it to become a super winner among the domestic sports brands in 2023. The Group has signed contracts with international superstars Nikola JOKIC, 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) as its new basketball product ambassador and Flame Series (燃派) player and signed LV Xiaoming (呂曉明), a basketball celebrity, as 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 his team claim the championships for the 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. From 18 August to 27 August 2023, Aaron GORDON, the brand ambassador of *361°*, kicked off his first "Champion China Tour" (向東燃總冠軍中國行), interacting with fans and conveying his love for basketball.

MANAGEMENT DISCUSSION AND ANALYSIS

On 5 October 2023, LI Yuan (李緣), a champion of the Hangzhou Asian Games and a key guard in the women's basketball team joined *361°* as the new female basketball ambassador. Together with the brand, she will promote basketball culture and practices the love of sports. On 25 December 2023, *361°* officially announced Nikola JOKIC as the global brand ambassador. The partnership aims to deepen cooperation in basketball, promote the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) and jointly advance the development of the basketball industry. On 26 December 2023, Nikola JOKIC made his debut wearing the "BIG3 Future" basketball shoes, which gained exposure from both domestic and international media and raised the profile of *361°* professional basketball products.

At the same time, the Group has also achieved success in creating its own-brand basketball event called "Light Up" (觸地即燃), motivating numerous players and teams and enhancing its influence in the basketball community. In April 2023, the fourth season of "Light Up" (觸地即燃) was officially launched with a brand-new theme of "Refuse Not to Ignite" (拒絕不燃), scaling up the event again and gradually extending its reach to lower-tier cities. In addition, the event cooperated with the "Village Basketball Association" (村BA), integrating industry resources, effectively enhancing its influence and igniting the basketball dreams of more grassroots players. At the same time, the "Light Up" (觸地即燃) series has introduced a special junior version to further strengthen the brand's influence in the field of basketball youth training.

Regarding sports fashion, we have been actively expanding into new emerging sports businesses, thereby strengthening our connection with the younger generation. The Group signed a contract with GONG Jun (龔俊), a well-known young Chinese actor, as our global brand ambassador. GONG Jun's exclusive "Track 4.0" (軌跡4.0) series once launched in June 2023 and "Track 5.0" (軌跡5.0) series once launched in November 2023 , immediately triggered a buying frenzy among consumers.

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" (恒), which was debuted in the 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 GAO Qunxiang (高群翔) , the champion in street skateboarding of the National Games of the PRC. By tapping into emerging consumer trends, these efforts expanded the product lines in the sports fashion sector. In October 2023, the Group once again expanded its presence into the meta-universe by partnering with the top-tier NFT IP "Bored Ape Yacht Club (無聊猿)" to launch the co-branded products, which combines the current hot topics among the young generation, with a focus on emotional marketing, catering to the preferences and engagement of the young generation.

In January 2023, we appointed GONG Li (龔莉), the world karate champion, as the new spokesperson of *361°* women's sports style and launched the women's training IP "Women's Fitness Gym" (女子健身局), which aims to build a vibrant sports community centred on women's beloved sports, and to realise effective connections with its users. In February 2023, the "Women's Fitness Gym" (女子健身局) and BYMB joined forces to kick off a yoga event in Shanghai for a joint campaign to precisely expand the user community. In July 2023, *361°* kicked off the "Women's Fitness Gym Summer Training Programme" (女子健身局夏訓計劃), organising yoga, frisbee and other sports in multiple cities in China and inviting female participants to actively participate, so as to achieve precise customer expansion. In August 2023, the *361°*'s proprietary IP "Women's Fitness Gym" (女子健身局) and KULA Yoga initiated a grand yoga event at Anaya Jinshanling (阿那亞金山嶺), inviting a number of internationally renowned yoga masters to impart their yoga experiences to women and empower them for a better life. In November 2023, world artistic swimming champions JIANG Wenwen (蔣文文) and JIANG Tingting (蔣婷婷) became ambassadors for women's training. At the same time, the "Women's Fitness Gym" (女子健身局) partnered with KEEP for extensive exposure and promotion of the "Lianneng" (戀能) series of women's yoga products on their Good Things Welfare Community (好物福利社). During the year under review, the Group's own-branded women's training IP, namely "Women's Fitness Gym" (女子健身局), held about 100 events in 15 cities, including Shanghai, Chengdu, Shijiazhuang, Zhengzhou, Jinan, Nanjing, Xiamen, Guangzhou, Dezhou and Baotou, with more than approximately 2,500 offline participants.

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 year under review, the Group collaborated with ten well-known IPs, including SpongeBob, Modern Sky, Bored Ape (無聊猿) and ZHENG Yuanwu's illustration (鄭元無插畫), 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.

On 27 December 2023, *361°* held the Brand Day and CQT Carbon Critical New Product Launch Conference at Xiamen Egret Stadium. With the theme of "Carbon Cable Being Faster" (碳索更快), the event featured the unveiling of "CQT Carbon Critical Professional Running Shoe Matrix" (CQT碳臨界跑步專業矩陣). The event aimed to showcase how technology enables green and low-carbon development, while collaborating to advance energy-saving and emission reduction efforts in the sports goods industry. On the same day, *361°* also organised the "3# Track 10 Kilometres Race Annual Finals" (三號賽道10KM年度總决賽), aiming to test the practical performance of professional racing products through competitive events, jointly exploring marathon track acceleration solutions in new scenarios with low-carbon technology, and facilitating the development of the running industry in the PRC.

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 Hangzhou Asian Games	Official Partner
2022-2024	China Zheng-kai International Marathon 2023	Global official partner
2023	Xinyang Marathon	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
2023-2024	Paris Star 10km Race	Sponsor
2023-2024	Berlin Marathon	Exhibitor
2023-2024	Allgäu Triathlon	Exhibitor
2023-2024	München Marathon	Exhibitor
2023-2024	Mainova Frankfurt Marathon	Exhibitor
2023-2025	Surf City Marathon	Presenting Sponsor
2023-2026	Palma de Mallorca Marathon	Major Sponsor

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

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

The following persons have or had been the Group's spokespersons during the year under review:

Athletes

Name of spokespersons	Sports	Key achievements in recent years
Bahetaer Wulaziaili 巴合塔爾•吾拉孜艾力	Running	2nd in Men in the 2023 Xinjiang Mulei Half Marathon 2nd in Men in the 2023 Ili River Marathon 3rd in Men in the 2023 Xinjiang Kuitun Half Marathon 2nd in Men in the 2022 Hangzhou Marathon 3rd in Men in the 2020 Hainan Danzhou Marathon
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 關思楊	Running	2nd in Men in the 2021 Wuxi Marathon 2nd in Men in the 2020 Changzhou Marathon 2nd in Men in the 2020 Chengdu Marathon 3rd in Men in the 2020 Guangzhou Marathon
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 Men 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	1st in Men of China in the 2023 Nanchang Marathon 2nd in Men of China in the 2023 Chengdu Marathon 1st in Men of China in the 2023 Ha'erbin Marathon 1st in Men in the 2023 Baoji Marathon 2nd in Men of China in the 2023 Chongqing Marathon

Name of spokespersons	Sports	Key achievements in recent years
		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
LI Zicheng 李子成	Running	1st in Men in the 2023 Yantai Marathon 1st in Men in the 2023 Xuwei Marathon 1st in Men of China in the 2023 Changxing Marathon 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

Name of spokespersons	Sports	Key achievements in recent years
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
Tuyigen Sailike 吐依根•賽力克	Running	1st in Men in the 2023 Tonglianglong Marathon 3rd in Men in the 2023 Urumqi Half 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
Aaron GORDON	Basketball	International basketball superstar A player of The NBA Champions for 2022-2023 season
Kyranbek MAKEL 可蘭白克•馬坎	Basketball	Chinese professional basketball player A player of The CBA Champions for 2016-2017 season
LI Yuan 李緣	Basketball	A player of the 2023 FIBA Women's Asia Cup Champions A player of the champions of the women's basketball tournament at the 19th Hangzhou Asian Games
LI Yiyang 黎伊揚	Basketball	Chinese professional basketball player
Nikola JOKIC	Basketball	International basketball superstar A player of The NBA Champions for 2022-2023 season, FMVP 2020-2021, MVP of the regular season for the 2021-2022 NBA season
Spencer DINWIDDIE	Basketball	International basketball superstar Champion of the 2017-2018 NBA season All-Star Skills Challenge
WU Zejian 吳澤健	Basketball	Famous Chinese grassroots player Xiamen AG brand manager
LI Mengwen李夢雯	Football	A player of the champions of 2022 AFC Women's Asian Cup One of the recipients of the silver medal in women's football at the 2018 Asian Games in Jakarta

Name of spokespersons	Sports	Key achievements in recent years
GONG Li 龔莉	Karate	Karate World Champion Gold Medal in the Women's Kumite 61kg category in Karate at the 19th Hangzhou Asian Games Bronze Medal in Women in the 2020 Tokyo Olympics Karate over 61kg
JIANG Wenwen 蔣文文 and JIANG Tingting 蔣婷婷	Artistic swimming	World artistic swimming champions
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 of PEL Asian Games Edition at the 19th Hangzhou Asian Games 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 GIACOBAZZI	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
AO Ruipeng 敖瑞鵬	N/A	A famous Chinese actor

MANAGEMENT DISCUSSION AND ANALYSIS

361° Kids Business

During the year under review, *361°* Kids business segment recorded a revenue of RMB1,957.5 million, accounting for approximately 23.2% of the Group's total revenue, representing a year-on-year increase of 35.7%.

Following the brand spirit of "ONE DEGREE BEYOND" (多一度熱愛) of the *361°* 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.

As the national awareness of physical activities increases, schools are setting higher expectations for the sports performance of children and adolescents on campuses, *361°* Kids continues to expand its campus presence, focusing on professionalism and emphasising categories like running, rope skipping, basketball, and football. It also upgraded and incorporated leading technologies, introducing new products equipped with cutting-edge technology, such as "Leaping Antelope Rope Skipping Shoes 3.0" (閃羚跳繩鞋3.0) and "Leaping Antelope Rope Skipping Shoes 4.0" (閃羚跳繩鞋4.0), "FUNFAZE 4.0" (彈力簧跑鞋4.0), and "Wind Max 4.0" (風透跑鞋4.0). *361°* Kids has introduced innovative technologies such as cooling technology, comfort stretch technology (舒彈科技) 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 widely apply Rudolf silver ion antibacterial technology (魯道夫銀離子抑菌科技) which are designed to safeguard the health of children and adolescents during sports activities. To balance childlike interest with fashion, *361°* Kids successfully launched bestsellers in 2023, including tank-tread shoes, jade-rabbit-themed shoes, dinosaur-themed shoes, fruit-themed shoes, stroller shoes, swan-themed shoes, rocket-themed shoes and butterfly-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 proprietary 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 31 December 2023, there were a total of 2,545 points-of-sale offering *361°* Kids products, making a net increase of 257 points-of-sale compared to 31 December 2022. Among these points-of sale, 341 points-of-sale were located at *361°* brand's authorised retail stores, selling both *361°* brand products and *361°* Kids products. Geographically, approximately 69.3% of the points-of-sale were located in third-tier and lower-tier cities in China, while 6.4% and 24.3% were located in first- and second-tier cities in China, respectively. As of 31 December 2023, the number of the latest fourth-generation image stores of *361°* Kids increased to 2,206, representing 86.7% of the total number of *361°* Kids stores, showcasing a 14.9% 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 for consumers.

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

	As at 31 December 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]	**506**	**19.9**	421	18.4
Southern region[2]	**365**	**14.3**	329	14.4
Western region[3]	**518**	**20.4**	476	20.8
Northern region[4]	**1,156**	**45.4**	1,062	46.4
Total	**2,545**	**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 (北京中赫國安少訓)	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 year under review, *361°* Kids brand hosted four trade fairs, which were the 2023 Winter Trade Fair, the 2024 Spring Trade Fair, 2024 Summer Trade Fair and 2024 Fall Trade Fair. Orders from these trade fairs have achieved solid growth.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon becoming the 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 R&D, sports event promotion and community building, aiming at fostering a stronger and healthier lifestyle. On 28 June 2023, within just one year after delivering the first batch of sports equipment, *361°* once again provided the Chinese National Rope Skipping Team with upgraded 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"（閃羚3.0）and "Leaping Antelope 4.0"（閃羚4.0）versions of rope skipping shoes respectively. The "Leaping Antelope 3.0"（閃羚3.0）was designed to enhance freestyle rope skipping, while the "Leaping Antelope 4.0" （閃羚4.0） was optimised for competitive speed skipping. In July 2023, the IJRU World Jump Rope Championships concluded successfully, with the Chinese National Rope Skipping Team wearing the upgraded rope skipping suits from *361°* Kids. They secured a remarkable performance, with a total of 20 gold, 11 silver, 5 bronze medals, shattering 4 world records, stunning the world. The outstanding performance of the national team athletes at the IJRU World Jump Rope Championships showcased the product strength and technological expertise of *361°* Kids rope skipping offerings. *361°* will continue to provide top-notch equipment for national athletes and further promote the commercialisation of products akin to those used by the *361°* national team, thereby bolstering the advancement of the rope skipping industry.

In terms of synergy between brand resources and end consumers, *361°* Kids collaborated with nationwide stores to organise the "National Rope Skipping Competition" (全國跳繩大賽). This initiative included a nationwide rope skipping talent search, featuring over 100 city-level competitions and 7 city finals. Renowned domestic and international experts, along with members of national rope skipping team, were invited to participate, attracting more than 400,000 attendees. Through these competitions, *361°* has enhanced its authority and professionalism in the rope skipping field, expanded the brand influence in rope skipping sports and improved the sales conversion in its retail stores.

Meanwhile, leveraging its abundant basketball resources and extensive experience in organising proprietary IP events, *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•少年籃球賽事). On 15 May 2023, LV Xiaoming (呂晓明) was announced as the head coach of *361°* youth basketball, marking the kickoff of the "Light Up — Junior Basketball Training Camp" (觸地即燃•少年籃球訓練營). Subsequently, tournaments were held in cities such as Chengdu, Dongguan, Zhengzhou, Shijiazhuang and Jinan. In September 2023, the grand and splendid final was held in Jinan. The brand-new junior tournament attracted 92 teams and 600 participants. *361°* Kids aimed to expand the audience reach of the ignite on ground initiative through high-profile tournaments and top-notch basketball equipment support. Tournaments of each location redefined junior basketball experiences, fostering a competitive atmosphere among the new generation of players.

In terms of football, *361°* Kids partnered with Beijing Guoan Junior Training（北京國安少訓）to co-organise the "3v3 Youth Football Challenge" (3V3青少年足球挑戰賽), which took place in Beijing, with 16 youth football teams competing passionately, igniting the field with intense matches. The event provided an interactive platform for the brand, products and consumers, showcasing impressive promotional and marketing impact. Looking ahead, *361°* Kids will continue to collaborate with Beijing Guoan Junior Training and Shandong Taishan F.C. Junior Training Camp (山東泰山青少訓) to support and nurture youth football in the PRC, demonstrating ongoing dedication and passion for the youth football sector.

361° International Business

During the year under review, the Group had 1,260 points-of-sale in overseas markets, and the *361°* international business recorded revenue of RMB185.4 million, accounting for approximately 2.2% of the Group's total revenue, representing a year-on-year increase of 50.1%.

Since 2015, the Group has taken a proactive approach by initiating its overseas expansion strategy, actively positioning itself in international markets to enhance brand recognition worldwide. Currently, *361°* products have gradually gained reputation in overseas markets, with international business becoming a significant potential growth driver for the Group. In 2024, the Group will further focus the steady development of overseas markets, by actively strengthening its foothold in Europe, countries and regions along the Belt and Road Initiative and other emerging markets with significant growth potential. These strategic efforts will enable *361°* to amplify its influence in overseas markets.

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 year under review, as 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 year 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 value for money by Test 4 Outside, a professional testing website in France;
August	The international product *361°*-SPIRE5 was awarded the FIRST AWARD by Test 4 Outside, a professional testing website in France;
November	The international product *361°*-FUTURA was rated as the Best Lightweight Trail Shoe — Editor's Choice Award by "OUTSIDE", a professional outdoor magazine in the United States.

E-Commerce Business

During the year under review, the Group's revenue from the online-exclusive products of the e-commerce business amounted to RMB2,325.5 million and accounted for approximately 27.6% 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 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 the e-commerce channels. Based on in-depth insights into consumer habits, there has been a strong emphasis on brand e-commerce channel development and the promotion of brand digitalisation. As a result, *361°*'s online channel sales have shown a continuous high-speed growth trend, emerging as a core driver for expanding its business performance.

In terms of management, *361°* has focused on refined management practices, continuously improving brand strength, product strength and marketing capabilities over the years to boost its core competitiveness. It has strengthened the synergy among overall resources within the Group to match the fast-paced nature of e-commerce operations, fostering rapid development in areas such as product, supply chain, marketing and logistics. In terms of products, the Group is committed to launching distinct online-exclusive offerings alongside offline products. Based on market preferences analysed through big data, precise development of online exclusive products is carried out. There is a continuous effort to enhance product design and quality by increasing investment in technology, materials, and design. This enriches product range, catering to diverse consumers' preferences and promoting synergy and empowerment between online and offline channels.

MANAGEMENT DISCUSSION AND ANALYSIS

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 various new platforms. Additionally, it leverages various offsite traffic attraction tools to effectively promote the brand and products. Compared with physical stores, the e-commerce platform serves as round-the-clock sales channel. Currently, the Group mainly offers online-exclusive products on these online platforms, while a small portion is to assist distributors and authorised retailers in reducing off-season inventory level.

During the year under review, *361°* actively seised opportunities presented by popular e-commerce festivals such as the "618" shopping festival and "Double 11", vigorously promoting trending and popular products to boost the brand's "popularity". During the "618" shopping festival, *361°* achieved a year-on-year cumulative retail sales growth of approximately 43% across all e-commerce channels. Selected items such as the "ZEN. V" (禪5) worn by brand ambassador Aaron GORDON, the exclusive "AG" series endorsed by Aaron GORDON, the signature shoes DVD1 endorsed by spokesperson Spencer DINWIDDIE, and the "Track 4.0" (軌跡4.0) series exclusively endorsed by celebrity spokesperson GONG Jun (龔俊), contributed to the impressive results of the e-commerce promotion during the "618" shopping festival. During the "Double 11" promotion, with the marketing theme of "Full Throttle" (熱力全開), *361°* released a range of popular products such as "Furious Future" (飛飈Future), "AG4-SOAR", and "Track 5.0" (軌跡5.0) series, with sales of those popular products reaching up to 370,000 pairs.

In September 2023, *361°* collaborated with Tmall Super Brand Day IP resources for the first time, leveraging the popularity of the Hangzhou Asian Games to create a distinctive online brand marketing event. In December 2023, leveraging the annual flagship event, the Brand Day, *361°* successfully secured the marketing resources of "Juhuasuan" (聚划算) Happy Gathering Day, marking the fourth consecutive time that *361°* has gained access to such resources. During this Happy Gathering Day event, new products such as the "Flying Flame 3" (飛燃3), "BIG3 Future", and "Furious Future 1.5" (飛飈Future 1.5) were released, effectively enhancing the brand's penetration rate in the e-commerce professional category online.

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 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 terms of the running category, *361°* collaborated with renowned key opinion leader "Lao Zhang's Shoes (老張的鞋)" to create joint-colour schemes, which have garnered consumer acclaim upon their release, paving the way for innovative future product promotion models. Additionally, *361°* incorporated consumer scenarios to develop specialised products such as dog walking shoes and rope skipping shoes, catering to different consumer needs. In terms of the basketball category, *361°* introduced star products with high visual appeal on online platforms, including the "BIG3 3.0" series, "AG3" series and "DVD" series, which generated significant attention and discussion on social media platforms. Furthermore, in terms of the sports lifestyle category, *361°* has capitalised on the popularity of outdoor sports events and introduced hot-selling products such as the "N40 trendy sandals" (N40潮拖), sun-protective clothing and windproof jackets.

Production

During the year 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. Regarding footwear products, the Group manufactures approximately 30.4% of its footwear products at its two factories at Jiangtou and Wuli in Jinjiang City, Fujian Province of 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 19.2% of the Group's products to meet the market demand while the remaining portion 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 year under review, the Group's expenditure on R&D accounted for 3.7% of the Group's total revenue. Adhering to the philosophy of "Professional Sports Oriented", the Group continues to increase investment in professional sports such as running and basketball, promoting the continuous upgrading of products and technical services.

Specifically, the Group's research centre in Wuli Industrial Park, Jinjiang city, Fujian Province, has research instruments and a team of professionals. It has been recognised with various titles such as a national advanced technology enterprise, national green factory, National Green Supply Chain Management Enterprise, exemplary unit of the national sports industry, national industrial design centre, national society service station, national intellectual property advantage enterprise 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.

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, the Group has been continuously upgrading and iterating the carbon-plated running shoe series in a matrix-driven approach. In the first half of 2023, the launch of "Flying Flame 2.5" (飛燃2.5) further expanded the *361°* professional running shoe matrix, providing specialised footwear options for runners. In September 2023, "Furious Future" (飛飈Future), the professional elite marathon running shoes was launched, empowering *361°* running spokespersons and elite runners to achieve multiple victories in various competitions, showcasing the brand's strong presence in the running sphere. "Furious Future" (飛飈Future) continues to adopt *361°*'s design of a separated middle-layer of the sole, which fully deforms to alleviate pressure and provide greater propulsion for runners. In addition, the middle-layer utilises the cutting-edge Evonik Nylon 12 Rough Embryo Supercritical Foaming Technology (赢創尼龍12粗胚超臨界發泡工藝), thereby increasing the energy conversion rate above 90%. In terms of the carbon plate, "Furious Future" (飛飈 Future) boasts a 5% larger total carbon plate area compared to the first generation of "Furious" (飛飈), making it the largest carbon plate in *361°*'s lineup so far. Furthermore, the RPU formula has been upgraded, and the tread pattern has been adjusted, which significantly enhanced the slip resistance.

361° persists in harnessing technological innovation as the driving force behind its brand development, continuously innovating and pursuing R&D to create a new engine for green growth. On the Brand Day in December 2023, *361°* upgraded its hardcore technology by releasing the CQT Carbon Critical Professional Running Shoe Matrix (CQT碳臨界跑步專業矩陣) which covers several running shoes such as "Flying Flame 3" (飛燃3), "Furious Future 1.5" (飛飈Future 1.5), "SPIRE Float" (速湃Float) and "Flying Flame 2 ET" (飛燃2 ET), catering to different runners' diverse needs in various scenarios. "Flying Flame 3" (飛燃3), as standout shoes in the matrix with the positioning as the "National Super Carbon Plate Running Shoe" (全民超跑), and applies the new CQT FLAME nylon particle supercritical foaming technology. The middle-layer material exhibits improved tear resistance and durability, with an energy conversion rate over 88%. Meanwhile, weighing less than 200g for sizes below 42, with an overall weight ratio of less than 0.13, "Flying Flame 3" (飛燃3) introduces innovative features such as a dynamic carbon plate design. The design creates dynamic carbon fibre launchers with varying hardness in different areas, adapting to runners' multi-point hardness requirements during racing and enhancing propulsion during running. In terms of fabric selection, "Flying Flame 3" (飛燃3) incorporates the innovative "Carbon Fibre Technology" (碳絲科技) to utilise recycled carbon dioxide in the spinning or dyeing process and reduce the use of chemical additives while enhancing yarn rebound and reducing the weight of the upper shoe. At the same time, the large surface area of "Flying Flame 3" (飛燃3) features a skin-friendly porous and breathable twisted material, ensuring ventilation, freshness, and durability during long-distance activities.

Since the launch of "BIG3 1.0" in March 2019, following rounds 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.

In addition, the "ZEN" (禪) basketball series, originated from the popular "ZEN SILENCE" (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 an innovative design combining traditional "Heavenly Circle and Earthly Square" and chessboard elements. The ENRG-X+ forefoot inserted carbon-critical technology QU!KCQTECH is used in the midsole, 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 the 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. During the "Double 11" shopping festival, "AG" series, the signature basketball shoes co-created by *361°* and Aaron GORDON, received significant attention and the "AG4 SOAR" garnered great popularity and became a top choice for many enthusiasts after release.

As of 31 December 2023, the Group obtained 494 patents with a total of 843 technicians engaging in R&D, comprising of 422 footwear research staff, 318 apparel research staff and 103 children and accessories R&D staff. The Group's expenditure on R&D is expected to increase steadily as it intensifies efforts to carry out the product upgrading programme that combine functionality and design, aiming to create more distinctive products.

Public Welfare

In terms of social responsibility, *361°* actively participates in public welfare. In August 2023, heavy rainfalls triggered floods across the country. *361°* Group responded swiftly by donating supplies worth RMB10 million through the China Youth Development Foundation to aid the disaster-stricken areas in Beijing, Tianjin, Hebei, Fujian, and other regions in China, assisting frontline flood prevention and disaster relief efforts. In December 2023, *361°* donated RMB10 million worth of cold-proof materials to the earthquake-stricken area in Gansu, China, investing in social welfare, and helping the residents in the earthquake-stricken area to withstand the cold weather and overcome difficulties. By implementing the "One Degree Beyond Program" (熱愛計劃), *361°* will continue to actively promote public welfare, fulfil its social responsibilities, and convey a brand attitude full of warmth and sincerity.

Awards

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

January 2023	*361°* flagship event "Light Up (觸地即燃)" was once again awarded the Marketing Brand of the Year at the 7th Sports Industry Carnival, which was held in Beijing and organised by Lanxiong Sports (懶熊體育), showcasing with its reputation and influence among grassroots basketball players;
January 2023	*361°* marathon running shoes product "Flying Flame II" (飛燃II) won the Best Sports Technology Award at the 9th "Sports Money Annual Summit and Award Ceremony" in 2022;
October 2023	The "Louvred Window (百葉窗)" technology breathable apparel was honoured by the China National Textile And Apparel Council with "2023 Top Ten Textile Innovation Products — Sports Function Product Award", and its technology patent also received the "2023 China Top Ten Textile Technology-Emerging Technology Award";
December 2023	The "CQT Carbon Critical Technology (CQT碳臨界科技)" by *361°* was awarded the "BLUE WHALE JING CHAO AWARDS — Hardest Technology of the Year" at the 2023 Blue Whale New Consumption Conference;
December 2023	The 6th "New Awards" selection event organised by CAIJING.COM.CN, *361°* was awarded the "Most Influential Consumer Brand of the Year Award" for its outstanding performance in the emerging consumer sector;
December 2023	*361°* Hangzhou Asian Games Integrated Marketing Campaign was honoured with the "2022-2023 Outstanding Brand Marketing Award — Outstanding Sports Marketing" at the 2022-2023 Annual Outstanding Brand Marketing Conference organised by Economic Observer (經濟觀察報);
December 2023	Ding Wuhao, an executive Director and President of *361°* Group, was honoured with the "Influential Person of the Year (年度影響力人物)" at the Annual Brand Conference 2023 of Southern Weekly (南方週末), recognising his outstanding leadership and profound contributions to the sports business;
January 2024	The *361°*'s 3# Track 10 Kilometres Racing series was awarded the "2023 Elite Race of the Year Award" by SPORTS MONEY; *361°* brand basketball integrated marketing programme "Light Up (觸地即燃) + Basketball Players' China Tour (向東燃球星中國行)" won the "2023 Sports Marketing Award";
January 2024	*361°*'s Hangzhou Asian Games Integrated Marketing Campaign was awarded the "2023 Best Marketing Brand" by Lanxiong Sports (懶熊體育); and
January 2024	*361°*, an official partner of Hangzhou Asian Games, was granted the Commercial Sponsorship Award by ECOTIME CONFERENCE.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the year under review, the Group recorded a year-on-year increase of 21.0% in revenue to RMB8,423.3 million (2022: RMB6,960.8 million). In particular, the *361°* Kids business and business grouped under others (namely, sales of shoe soles) contributed 23.2% and 1.6% (2022: 20.7% and 1.7%) of the total revenue respectively. The *361°* core brand products contributed 75.2% (2022: 77.6%) of the total revenue.

In terms of product segment, sales of the Group's two core product lines, namely footwear and apparel, increased by 23.0% year-on-year and 9.8% year-on-year respectively. During the year under review, approximately 96% of the 2023's spring, summer, fall and winter products were delivered, and their respective revenue were recognised, and the remaining 4% of the 2023's winter products were delivered at the beginning of 2024.

For the year under review, the proportions of total revenue of footwear and apparel sales were slightly increased from 41.0% to 41.7% year-on-year and slightly decreased from 35.2% to 31.9% year-on-year of the total revenue respectively. This was mainly due to the increase in proportion of sales revenue from *361°* Kids from 20.7% to 23.2% of the total revenue for the year under review, which in turn affected the proportion of sales of various products to total revenue. Nevertheless, footwear and apparel products still remained the major sources of the Group's sales revenue during the year under review.

The average wholesale price ("AWP") of footwear and apparel edged up by 3.0% and 0.5% year-on-year respectively. The increase in footwear's and apparel's AWP was mainly due to (i) the upward adjustments of the wholesale prices of the existing products across different product lines in order to cover the increase in cost of production and reflect the continuous brand image enhancement; (ii) the upgrade of product mix by launching a variety of new products with a higher AWP; and (iii) the increase in proportion of sales revenue generated from the e-commerce business which has a higher AWP than the sales made to distributors, above reasons contributed to increase in AWP as compared to that of last year. In addition, the sales volume of footwear and apparel products increased by 19.4% and 9.4% year-on-year, respectively. 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 buy consumer-discretionary products, the Group successfully achieved its marketing strategy by continuous brand image enhancement and promotion as well as launching more high-quality consumer-oriented new products with high functionality and premium by using its improved innovation and newly developed technologies to cope with the change in consumer behaviour during the year under review.

As to the accessories, this category of products can complement the footwear and apparel products, and thus can enrich the Group's product mix. During the year under review, the sales volume of the accessories rapidly increased by 63.4% and the AWP of the accessories sharply decreased by 12.4% year-on-year. This was mainly attributable to the change in the category structure of the accessories products by selling more lower AWP products. As a result, revenue from sales of accessories during the year under review increased by 43.0% year-on-year to RMB136.8 million (2022: RMB95.7 million) and accounted for approximately 1.6% (2022: 1.4%) of the total revenue of the Group.

Despite the high inflation and economic downturn in the global market, with the Group's effort in continuous brand image enhancement and promotion, 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 year under review increased by 50.1% year-on-year to RMB185.4 million (2022: RMB123.6 million) and accounted for approximately 2.2% (2022: 1.8%) of the total revenue of the Group.

The revenue from *361°* Kids for the year continued to achieve strong growth, recording a year-on-year increase of 35.7% to RMB1,957.5 million (2022: RMB1,442.2 million), and accounted for approximately 23.2% (2022: 20.7%) of the Group's revenue during the year under review. The growth was attributable to a year-on-year increase of 31.0% in the sale volume of apparel and footwear products and a year-on-year increase of 3.7% in their AWP as a result of the precise market adaptation and positioning of *361°* Kid's professional sportswear, the Group's successful implementation of product technology upgrades and diversified product offerings to cater to children and adolescents of different age groups through effective marketing strategies as well as the upgrade of product mix by launching a variety of new products with new technologies and comfortable raw materials. With the implementation of the Three-child Policy, as well as the Government's encouraging policies that promote students' participation in sports activities and the growing societal focus on the health of children and adolescents, the Group believes that the Kids business will continue to be a key revenue stream for the Group and a growth driver in the upcoming years.

The revenue from the sales of the Group's web-exclusive products at the e-commerce business increased by 38.0% year-on-year to RMB2,325.5 million (2022: RMB1,685.4 million) and accounted for approximately 27.6% (2022: 24.2%) of the total revenue during the year under review. In view of the continuous development of information technology in China, the Group expects that online consumption will continue to complement offline consumption and has significant growth potential. Thereby, the Group will continue to invest more resources to enhance our existing e-commerce system and more marketing effort will be devoted to promoting the e-commerce business. The Group is confident that the e-commerce business will continue to play a significant role in contributing to the Group's revenue in view of the consolidation and steady development of consumers' online shopping habits.

The revenue from the Group's businesses which are grouped under "Others" represented the revenue from the sales of shoe soles by the Group's 51%-owned subsidiary to independent third parties. During the year under review, approximately 52% of that subsidiary's products were supplied to the Group and the remaining portion was sold to independent third parties. The revenue grouped under "Others" for the year ended 31 December 2023 was RMB131.5 million (2022: RMB121.8 million) and accounted for approximately 1.6% (2022: 1.7%) of the Group's total revenue.

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

	For the year ended 31 December 2023		For the year ended 31 December 2022		
	RMB'000	**% of Revenue**	RMB'000	% of Revenue	Changes (%)
By Products					
Revenue					
Adults					
Footwear	**3,509,914**	**41.7**	2,853,617	41.0	+23.0
Apparel	**2,687,486**	**31.9**	2,447,466	35.2	+9.8
Accessories	**136,834**	**1.6**	95,718	1.4	+43.0
***361°* Kids**	**1,957,509**	**23.2**	1,442,201	20.7	+35.7
Others(1)	**131,514**	**1.6**	121,824	1.7	+8.0
Total	**8,423,257**	**100.0**	6,960,826	100.0	+21.0

Note:

(1) Others comprised of sales of shoe soles.

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

	For the year ended 31 December 2023		For the year ended 31 December 2022		Changes	
	Total units sold '000	AWP[1] RMB	Total units sold '000	AWP[1] RMB	Units sold (%)	AWP (%)
By volume and AWP						
Adults						
Footwear (pairs)	**28,391**	**123.6**	23,787	120.0	+19.4	+3.0
Apparel (pieces)	**31,157**	**86.3**	28,489	85.9	+9.4	+0.5
Accessories (pieces/pairs)	**8,839**	**15.5**	5,408	17.7	+63.4	-12.4
***361°* Kids**	**23,152**	**84.6**	17,668	81.6	+31.0	+3.7

Note:

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

Cost of Sales

Cost of sales comprised the cost of in-house production and outsourcing cost and it was increased by 19.8% year-on-year to RMB4,961.1 million (2022: RMB4,140.2 million). During the year under review, the cost of internal production increased by 5.4% year-on-year and the cost of outsourced products increased by 26.9% year-on-year. Included in the cost of sales, there was an additional provision for slow-moving inventories amounted to RMB5.9 million (2022: a writeback of provision for slow-moving inventories of RMB3.4 million) during the year under review. In order to achieve a more effective cost control on production and to diversify the supply chains with lower production cost, the Group has shifted more orders for outsourced production during the year under review. As a result, the increase in the overall cost of sales was less than the increase in revenue during the year under review.

Furthermore, there was a change in the mix of the internally produced products and outsourced products during the year under review: the portion of in-house production footwear and apparel products decreased to 29.0% (2022: 33.0%) and the portion of outsourced footwear, apparel and accessories products increased to 71.0% (2022: 67.0%).

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

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales
Footwear & Apparel (In-house Production)				
Raw materials	832,437	16.8	833,563	20.1
Labour	277,102	5.6	184,309	4.5
Overheads	329,309	6.6	346,977	8.4
	1,438,848	29.0	1,364,849	33.0
Outsourced Products				
Footwear	1,679,013	33.8	1,270,258	30.7
Apparel	1,731,034	34.9	1,428,754	34.5
Accessories	112,207	2.3	76,317	1.8
	3,522,254	71.0	2,775,329	67.0
Cost of sales	4,961,102	100.0	4,140,178	100.0

Gross profit and gross profit margin

The Group recorded a gross profit of RMB3,462.2 million (2022: RMB2,820.6 million) for the year of 2023, representing a year-on-year increase of 0.6 percentage points in the gross profit margin to 41.1% during the year under review.

During the year under review, the gross profit margins of footwear, *361°* Kids and others products increased by 1.2, 0.9 and 12.1 percentage points year-on-year, respectively while that of apparel and accessories slightly dropped by 1.1 and 1.3 percentage point year-on-year, respectively.

The gross profit margin of the footwear increased from 41.2% to 42.4% representing a year-on-year increase by 1.2 percentage points. This was mainly due to (i) the increase in AWP; (ii) the effective cost control by shifting more orders to OEMs for production; (iii) the change in sales mix; and (iv) the increase in proportion of sales revenue generated from the e-commerce platform which conducted business at a higher gross profit margin than the sales made to distributors.

The gross profit margin of the apparel products during the year under review was 40.5% (2022: 41.6%), representing a year-on-year decrease by 1.1 percentage points. This was mainly attributable to the change in sales mix by selling more lower gross profit margin products to cope with the change in market demand. The decrease was partly offset by (i) the upward adjustments of the wholesale prices of the existing products across the product lines; (ii) 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; and (iii) the effective reduction of production costs by shifting more orders to OEMs during the year under review.

As to the accessories, the gross profit margin dropped by 1.3 percentage points year-on-year to 34.7% (2022: 36.0%). 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 slightly increased from 40.9% to 41.8%, representing a year-on-year increase by 0.9 percentage points. It was mainly attributable to (i) the upward adjustments of the wholesale prices of the existing products across the product lines in order to cover the increase in cost of production and reflect the continuous brand image enhancement; (ii) the upgrade of product mix by launching a variety of new products with higher AWP; and (iii) the increase in the proportion of sales revenue generated from its e-commerce platform during the year under review.

The gross profit margin of shoe soles, which was categorised under "Others," was 14.6% (2022: 2.5%), increased by 12.1 percentage points year-on-year. It was mainly due to the reduction of raw materials cost and upgrade of product mix with high profit margin during the year under review.

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

	For the year ended 31 December 2023		For the year ended 31 December 2022		
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %	Changes Percentage point
Adults					
Footwear	**1,489,152**	**42.4**	1,174,944	41.2	+1.2
Apparel	**1,087,645**	**40.5**	1,018,005	41.6	-1.1
Accessories	**47,508**	**34.7**	34,425	36.0	-1.3
***361°* Kids**	**818,712**	**41.8**	590,213	40.9	+0.9
Others[(1)]	**19,138**	**14.6**	3,061	2.5	+12.1
Total	**3,462,155**	**41.1**	2,820,648	40.5	+0.6

Note:

(1) Others comprised of sales of shoe soles.

Other revenue

Other revenue of RMB385.0 million (2022: RMB414.9 million) mainly comprised of (i) the interest income of RMB83.6 million (2022: RMB82.9 million) earned from bank deposits both in Hong Kong and the PRC; (ii) the discretionary government subsidies of RMB206.2 million (2022: RMB208.3 million) which was due to the Group's contribution to local economies; (iii) the commission of RMB59.7 million (2022: RMB82.3 million) charged from the sales of distributors' inventories through the e-commerce business; and (iv) other income of RMB35.5 million (2022: RMB41.4 million).

Other net loss

The other net loss of RMB15.8 million (2022: RMB20.4 million) mainly represented the net foreign exchange loss of RMB14.3 million (2022: RMB13.6 million) and the loss on disposal of plant and equipment and others amounted to RMB1.5 million (2022: RMB6.8 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 and the time of advancements and repayments incurs exchange gain or loss.

Selling and distribution expenses

During the year under review, selling and distribution expenses increased by 30.0% year-on-year to RMB1,863.0 million (2022: RMB1,433.3 million). The selling expenses comprised advertising and promotional expenses, staff costs, online selling expenses, packing expenses and others. The increase was mainly due to the increasing resource commitment to advertising and promotion program to boost sales and enhance the *361°* brand, in particular, more activities held via the e-commerce platform, the increase in packing charges and staff costs, the increase in logistic and storage charges in relation to the e-commerce business, the increase in service fee charged by e-commerce platforms and increase in sales activities during the year under review, resulting in the increase of selling and distribution expenses.

Advertising and promotional expenses increased by 35.4% year-on-year to RMB1,072.0 million (2022: RMB791.6 million) and accounted for approximately 12.7% (2022: 11.4%) of the Group's revenue. As the PRC government has adjusted its pandemic preventive measures in early 2023 and continued to launch favourable policy to support the development of the PRC's sport industry, the PRC's sports industry achieved a continuous growth during the year. As a result, the Group restarted more sponsorship programmes and took a more aggressive approach in advertising and promotion activities to enhance both its market position and its brand awareness during the year under review.

The online selling expenses mainly consisted of commission, other service fees paid to the e-commerce platforms, such as Tmall and JD.com, and the direct selling and distribution expenses in relation to the e-commerce business. During the year under review, the online selling expenses increased by 33.6% year-on-year to RMB396.3 million (2022: RMB296.6 million) which was mainly attributable to the increase in the e-commerce platform services expenses amounted to RMB212.7 million (2022: RMB158.7 million) and increase in other expenses included in running the e-commerce business amounted to RMB183.6 million (2022: RMB137.9 million) to cope with the growth of e-commerce business during the year under review.

Administrative expenses

Administrative expenses increased by 16.4% year-on-year to RMB630.0 million for the year ended 31 December 2023 (2022: RMB541.4 million) and represented approximately 7.5% (2022: 7.8%) of the Group's revenue. The increase was mainly due to the year-on-year increase of RMB47.6 million and RMB41.3 million in research and development ("R&D") expenses and office expenses respectively.

During the year under review. there was no significant change in total staff costs as the increase in salaries, staff welfares and contribution to social insurance, totaling RMB33.0 million, was fully offset by the decrease of RMB33.2 million in amortisation of the fair value of the stock options granted to the staff during the year under review. 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 year under review (2022: RMB33.2 million). The increase in office expenses was mainly due to the expansion in business and increase in entertainment and travelling expenses during the year under review.

R&D expenses increased by 17.9% year-on-year to RMB313.4 million (2022: RMB265.8 million) and accounted for 3.7% (2022: 3.8%) of the revenue during the year under review. The Group continued to invest substantial capital in 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 continued to strengthen its credit management on its distributors which led to a partial reversal of the aggregate provision for expected credit losses on trade receivables made in previous years of RMB45.2 million (2022: additional provision made of RMB166.4 million) during the period under review. The total provision for impairment loss arising from trade receivables as at 31 December 2023 amounted to RMB253.6 million (2022: RMB298.8 million) which represented 6.3% (2022: 9.2%) of the trade receivables before provision at the year end.

Finance costs

During the year under review, financing costs increased by 114.3% year-on-year to RMB20.2 million (2022: RMB9.4 million) which represented interest paid of RMB19.8 million (2022: RMB9.4 million) and RMB0.4 million (2022: Nil) in relation to bank borrowings and lease liabilities respectively. During the year under review, the Group has made a few short-term bank borrowings of RMB248.8 million for additional working capital to the Group in the first half of 2023 and these short-term bank borrowings were partly repaid by the Group and partly re-financed by long-term bank loans before the year end. As a result, the finance cost was increased for the year under review.

As of 31 December 2023, the Group had short-term and long-term bank borrowings, totaling of RMB286.5 million for liquidity of two subsidiaries operating in the PRC and a mortgage bank loan of RMB6.0 million for financing the acquisition of an office in Hong Kong.

Income tax expense

During the year under review, income tax expense of the Group amounted to RMB323.3 million (2022: RMB248.0 million) and the effective tax rate for the year was 23.7% (2022: 23.3%).

No provision has been made for profit tax paid by the Group's subsidiaries in Hong Kong as there was either no assessable profit made in Hong Kong or the estimated assessable profit was fully off-set by the taxation loss brought forward from previous years.

The income tax expenses mainly represented the income tax arising from the Group's subsidiaries operating 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%.

Included in the income tax expense, there was an amount of RMB13.0 million which represented the provision of withholding tax expense in relation to the planned remittance of fund from the Group's operating subsidiaries in China by way of dividends to the Company for the payment of the 2023 proposed final dividend.

Accordingly, the effective tax rate was slightly increased by 0.4% to 23.7% for the year under review.

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 29.66% in an indirect non wholly-owned subsidiary which engaged in the e-commence business during the year under review (please refer to paragraph headed "Material acquisitions and disposal" for further details).

CAPITAL AND OTHER INFORMATION

Liquidity and financial resources

During the year under review, net cash inflow from operating activities of the Group amounted to RMB407.8 million. As of 31 December 2023, cash and cash equivalents, including bank deposits and cash in hands and fixed deposits with original maturities not exceeding three months, amounted to RMB3,596.5 million, representing a net decrease of RMB263.9 million compared to the position as of 31 December 2022.

The net (decrease)/increase was mainly attributable to the following items:

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Net cash generated from operating activities	**407,808**	380,337
Net capital expenditure	**(63,978)**	(30,957)
Dividends paid to non-controlling interests	**(56,949)**	(34,390)
Dividends paid to shareholders	**(121,806)**	–
Net withdrawal of pledged deposit	**11,723**	28,032
Proceeds from bank loans	**400,000**	265,000
Repayment of bank loans	**(399,871)**	(181,295)
Net uplift of deposits (with maturity over three months)	**400,000**	–
Interest received	**67,496**	84,888
Interest paid	**(19,838)**	(9,381)
Payment for equity transactions with non-controlling shareholders	**(549,890)**	–
Consideration deposit for acquisition of non-controlling interests	**(350,000)**	–
Increase in amounts due to non-controlling interests	**22,336**	19,870
Other net cash (outflow)/inflow	**(1,837)**	2,749
	(254,806)	524,853
Effect of foreign exchange rate changes	**(9,147)**	(3,421)
Net (decrease)/increase in cash and cash equivalents	**(263,953)**	521,432

The net cash generated from operating activities amounted to RMB407.8 million for the year ended 31 December 2023, which was mainly caused by the increase in operating profit, the increase in inventories, increase in trade receivable, decrease in bills receivable, decrease in deposits, prepayments and other receivables and increase in trade and other payables.

The increase in inventories was mainly due to increase in raw materials and finished goods to cope with the outstanding sales orders. The net increase in trade and bills receivable was mainly due to the increase in sales revenue. The decrease in deposits, prepayments and other receivables was mainly caused by decrease in deposits paid to local government authorities for acquisition of land use rights for development which is partly offset by the slight increase in advanced payments to subcontractors for the purchase and subcontracting orders to fulfil its outstanding sales orders and the increase in prepayments made to advertisers. The increase in trade and other payables was mainly due to the increase in receipt in advance from customers, accrued advertising expenses and other tax payables which was partly off-set by the slight decrease in trade and bills payables as the Group accelerated the settlement to the suppliers and sub-contractors in exchange for better trade terms, and for the purpose of strengthening the long term relationship with suppliers and sub-contractors.

During the year under review, capital expenditure amounted to RMB64.0 million (2022: RMB31.0 million) and it was mainly incurred for the upgrading of facilities in relation to the production in Wuli Industrial Park, Jinjiang, the PRC, and the establishment of a new shoe soles production facility in Sichuan Province, the PRC, which was still under construction at the year end. A dividend of RMB56.9 million (2022: 34.4 million) was paid by a non wholly-owned subsidiary to non-controlling interests and an interim dividend of RMB121.8 million was paid to shareholders (2022: Nil) during the year under review. The net withdrawal of pledged bank deposit amounting to RMB11.7 million (2022: RMB28.0 million) during the year under review was principally used for the settlement of bills payable to suppliers. The net increase of RMB0.1 million in bank loans (2022: a net increase of RMB83.7 million in bank loans) represented the result of refinancing the bank loans by using the long-term bank loans to replace the short-term bank loans which were due for repayment during the year under review, and the amount of such additional loans was reduced by the repayment of the principal of the mortgage loan in relation to acquisition of the office in Hong Kong. The net decrease in deposits (with maturity over three months) amounting to RMB400.0 million (2022: Nil) during the year under review was principally used for the payment for equity transactions with non-controlling shareholders. The interest received amounted to RMB67.5 million (2022: RMB84.9 million) representing interest income generated from the fixed deposit placed in the PRC and Hong Kong. The interest of RMB19.8 million (2022: RMB9.4 million) paid for the year was mainly the interest for the bank loans. The payment for equity transactions with non-controlling shareholders amounting to RMB549.9 million (2022: Nil) represented the cost of acquisition of effective equity interests of 17.92% amounting to RMB549.9 million in an indirect non wholly-owned subsidiary which engaged in the e-commence business. The payment of consideration deposit for non-controlling interest represented the initial payment of RMB350.0 million for the acquisition of effective equity interests of 14.93% of in an indirect non wholly-owned subsidiary which engaged in the kids business during the year under review (please refer to paragraph headed "Material acquisitions and disposal" for further details). During the year under review, the Group received a net advances of RMB22.3 million (2022: RMB19.9 million) made by non-controlling interests of non wholly-owned subsidiaries, of which RMB20.7 million was made for re-financing the subsidiaries' initial deposits paid to local government authorities for acquisition of land use rights for development.

The Group's gearing ratio was 2.2% as of 31 December 2023 (2022: 2.4%). (The details of the calculation can be found on Note 4 on page 9). Other than the short-term bank borrowings and the mortgage loan, the Group has long-term bank borrowings amounted to RMB244.5 million (2022: 100.0 million) to finance the working capital for its operations for the year ended 31 December 2023.

Treasury policy and foreign exchange risk

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

The Group manages its foreign exchange risk by matching the currency of its loans and borrowings with the Group's functional currency of major cash receipts and underlying assets as far as possible. As of 31 December 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 monetary impact on the Group.

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

Pledge of assets

As of 31 December 2023, a property with a net book value of RMB40.2 million (2022: RMB40.1 million) was pledged as security for a banking facility of the Group of RMB34.7 million (2022: RMB38.9 million). The aforesaid banking facility was used to finance the acquisition of an office unit in Hong Kong, which is for the Group's own use and not for any investment purpose and as trade and revolving credit facilities to the Group. Furthermore, the Group has pledged bank deposits to certain banks as performance guarantee deposits of RMB12.4 million for certain business partners of the Group, which have been placed in designated bank accounts. In the event that the Group does not meet its contractual obligations under the agreements signed with these business partners, the deposits can be withdrawn without consent of the Group. Such performance guarantee deposit will be released upon the expiry of the agreements that was entered into with respective business partners. As of 31 December 2022, there were bills payable which were secured by pledged bank deposits of RMB18.9 million and there were bank deposits of RMB5.3 million which were pledged as the guaranteed deposits for the 2022 Asian Games Committee.

Working capital management

The average working capital cycle for the year ended 31 December 2023 was 132 days (2022: 117 days). The increase was mainly due to the increase in turnover cycle of inventory, increase in turnover cycles of the trade and bills receivable and decrease in trade and bills payable turnover days.

The average trade and bills receivable cycle was 149 days for the year ended 31 December 2023 (2022:147 days), representing a slight increase of 2 days. Although the PRC government has adjusted its pandemic prevention measures in early 2023 and the PRC's economy started to recover steadily, the PRC economy was still affected by the unstable geo-political situation in the world and the economic downturn in the global market. During the year under review, the Group has further strengthened its credit management on its distributors to monitor the settlement performance by the distributors. As a result, the average trade and bills receivable cycle was slightly increased by 2 days and the trade and bills receivable level was under effective control during the year under review. As at 31 December 2023, an aggregate amount of RMB3,327.5 million (86.8%) of trade and bills receivables was within 180 days of which around 59.3% was within 90 days and 27.5% was over 90 days but within 180 days. The remaining trade and bills receivables of RMB503.9 million (13.2%) was over 180 days but within 360 days.

Although the trade and bills receivable turnover cycle was slightly extended and the proportion of trade and bills receivables over 180 days but within 360 days was increased at the year end, most of the distributors have accelerated the settlement throughout the year and kept their outstanding balance within the credit period granted by the Group to them and maintained a good payment record. As a result, the Group has reduced its aggregate provision for impairment losses of RMB45.2 million (2022: additional provision of RMB166.4 million) during the year 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. The Group believes that there will be improvement in the average trade and bills receivable.

The average inventory turnover cycle was 93 days for the year ended 31 December 2023 (2022: 91 days), representing an increase of 2 days. About 92.9% of the inventory were finished goods and mainly 2023 winter and 2024 spring products. The increase in inventory turnover cycle was mainly due to the growth of the Group's e-commence business as the Group would be required to increase its inventories level to meet with its immediate sales via the internet, except for the e-commence business and overseas business which would require to maintain a certain level of inventories, 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. The Group believes that the inventory management will be further improved in the forthcoming year.

As at 31 December 2023, prepayments to suppliers were RMB931.2 million, representing a 4.0% increase compared with the RMB895.4 million as of 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 2024 spring and summer trade fairs' products. The balance of other prepayments, RMB219.7 million (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 11 day to 110 days for the year ended 31 December 2023 (2022: 121 days). The decrease was mainly due to the acceleration of settlement to the suppliers and sub-contractors by the Group in exchange for a better trade term with the suppliers and sub-contractors and demonstrate a support given by the Group to the suppliers and sub-contractors under the post epidemic situation in order to maintain a long-term and stable relationship with them. 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 year ended 31 December 2023, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

For the year ended 31 December 2023, the Group did not make any material acquisitions or disposal of subsidiaries or associates except for what have been disclosed below.

Duoyidu (Quanzhou) E-commerce Co., Ltd

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.

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.

As at the date of the announcement of the Company dated 24 April 2023, Jinfa Equity holds approximately 49.89% equity interests in the Partnership, which is a subsidiary of the Company. Accordingly, Jinfa Equity is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the acquisition from Jinfa Equity constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

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 year under review.

Details of the above transactions are set out in the announcements of the Company dated 7 July 2020, 16 July 2020, 22 July 2020 and 24 April 2023.

* *For identification purposes only*

On 18 September 2023, Sanliuyidu Xiamen, Jinjiang City Sanliuyidu Equity Investment Partnership (Limited Partnership) * (晉江市三六一度股權投資合夥企業(有限合夥)) ("Sanliuyidu Equity") (formerly known as Jinfa Equity) and an independent third party shareholder of Duoyidu Quanzhou entered into a capital increase agreement in which the registered capital of Duoyidu Quanzhou was increased from RMB4.7 million to RMB54.7 million, fully contributed by Sanliuyidu Xiamen. After the additional capital contribution of RMB50.0 million, the Group's effective equity interest in Duoyidu Quanzhou was further increased from 87.17% to 98.91%. The increase of the 11.74% effective equity interest was account for as an equity transaction and recorded in "Other Reserve" during the year under review.

Zhuji 361 Degrees Children's Wear Company Limited

On 8 November 2023, Zhuji 361 Degrees Children's Wear Company Limited* (諸暨市三六一度童裝有限公司) ("Zhuji 361 Degrees"), a direct non-wholly owned subsidiary of 361 Degrees (Hong Kong) Investment Limited ("361 Degrees (Hong Kong)"), 361 Degrees (Hong Kong), 361 Degrees Children's Clothing Co., Ltd.* (三六一度童裝有限公司) ("361 Degrees Children"), a direct wholly-owned subsidiary of 361 Degrees (Hong Kong), and Zhuji Yingshi Chuangjia Equity Investment Limited Partnership (諸暨盈實創加股權投資合夥企業(有限合夥)) ("Zhuji Yingshi Chuangjia") entered into an equity transfer agreement, pursuant to which 361 Degrees Children has agreed to acquire approximately 14.93% equity interest of Zhuji 361 Degrees from Zhuji Yingshi Chuangjia at a consideration of RMB500.0 million.

As at the date of the announcement of the Company dated 8 November 2023, Zhuji Yingshi Chuangjia is a substantial shareholder of Zhuji 361 Degrees, holding more than 10% equity interest. Accordingly, Zhuji Yingshi Chuangjia is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Therefore, the acquisition from Zhuji Yingshi Chuangjia constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Upon completion of the acquisition, Zhuji 361 Degrees will be directly owned as to approximately 85.07% and 14.93% by 361 Degrees (Hong Kong) and 361 Degrees Children respectively, and will become an indirect wholly owned subsidiary of 361 Degrees (Hong Kong). It will remain to be an indirect non-wholly owned subsidiary of the Group. The effective equity interest in Zhuji 361 Degrees held by the Group was increased from 74.0% to 87.0%. As at 31 December 2023, the Group has already made the initial payment of RMB350.0 million to Zhuji Yingshi Chuangjia and the relevant corporate registration procedures were in progress. On 24 January 2024, the relevant corporate registration procedures were completed. The remaining balance of RMB150.0 million will be paid by the Group on or before 30 September 2024 to Zhuji Yingshi Chuangjia.

Details of the above transactions are set out in the announcements of the Company dated 9 November 2018 and 8 November 2023.

Significant investments

For the year ended 31 December 2023, the Group had no significant investments except for the payment of the final instalment of RMB150.0 million in relation to the acquisition of 14.93% equity interest of Zhuji 361 Degrees as disclosed above and a capital commitments for its construction in progress amounted to RMB14.8 million.

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

*   *For identification purposes only*

Employees and emoluments

As at 31 December 2023, the Group employed a total of 7,375 full time employees in the PRC who included management staff, technicians, salespersons and workers. For the year ended 31 December 2023, the Group's total remuneration paid to employees was RMB778.9 million, representing 9.2% of the Group's revenue. The emolument policies are based on the performance of individual employees and formulated to attract talent and retain quality staff. Apart from the mandatory provident fund scheme, which is operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees and the state managed retirement pension scheme for the PRC-based employees and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. The Group believes that its strength lies in the quality of its employees and has placed a great emphasis on fringe benefits. The Group also continuously offers comprehensive training to employees with the aim of fostering a learning culture that could enhance the employees' professional knowledge and skills.

PROSPECTS

Looking ahead to 2024, the global economy continues to face challenges such as geopolitical tensions, inflationary pressures and uncertainties in the trade environment, which will further hinder economic growth. However, the underlying fundamentals of the Chinese economy remain positive in the long term, with its consumption market playing an increasingly important role in stabilising the global economy. In particular, as macroeconomic policies are gradually being implemented and the trend of consumption stratification has advanced, China's consumption market is entering a new stage of diversified, quality-oriented, technology-driven and health-conscious development, which provides a solid growth momentum for the domestic sports industry.

We maintain an optimistic outlook for the development of China's sports industry in 2024. This year will witness numerous international and domestic sports events, including the highly anticipated Paris Olympics, which are expected to stimulate a broader participation in sports and increase consumer demand. Meanwhile, the continued advancement of the national fitness strategy will further expand the consumer base for sports goods and enhance consumption willingness. In light of these circumstances, Chinese sports goods companies are poised to enhance their competitiveness through innovation and market expansion.

361° Group will adhere to its "consumer-centric" philosophy and focus on its "professional, youthful, and internationalised" brand positioning. Through technological innovation and resource integration, we will continuously improve the professionalism and quality of our products to meet the increasingly diverse needs of consumers. Meanwhile, we will actively embrace emerging industry trends by infusing our products with elements of fashion, environmental protection, and "China-Chic" to expand our market presence. In terms of our kids brand, we will further strengthen our position as a "Youth Sports Expert" (青少年運動專家) by enhancing our professional categories and operational capabilities of physical stores, thus driving sustained growth in the kids' sportswear business.

Regarding sales channels, we will enhance our omni-channel system across online and offline channels to meet the evolving shopping needs and experiences of consumers. We will increase investment in the e-commerce sector to establish differentiated advantages for our online brand. Simultaneously, we will expand and upgrade our offline stores to achieve integrated development between online and offline channels. With 2024 being an extraordinary year for sports events, we will seize opportunities to strengthen our brand marketing and product innovation, driving our brand value to new heights.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited financial statements for the year ended 31 December 2023.

BUSINESS REVIEW

General

For the review of the business of the Group for the year ended 31 December 2023, please refer to the section headed "Management Discussion and Analysis — Business review" on pages 20 to 46 of this report.

Principal risks and uncertainties facing the Group

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

Risks pertaining to the sportswear market in the PRC

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

Risks pertaining to the distributorship model

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

Risk pertaining to the Group's operations

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

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

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

Past performance and forward looking statements risks

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

Prospects

For the likely development of the Group's business, please refer to "Management Discussion and Analysis — Prospects" on page 61 of this report.

Post year-end events

Except as disclosed in this annual report, since 31 December 2023, being the end of the financial year under review, no important event has occurred affecting the Group.

Analysis of key financial performance indicators

For details of the key financial performance indicators to the performance the Group's business, please refer to "Financial Summary" on pages 8 and 9 of this annual report.

Environmental policies and performance

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

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

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

The Company will separately publish the Environmental, Social and Governance Report for the year ended 31 December 2023 in compliance with Appendix C2 to the Listing Rules in due course.

Compliance with laws and regulations

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

Account of the Group's relationships with its key stakeholders

(i) Employees

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

(ii) Suppliers

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

(iii) Distributors

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

(iv) Authorised retailers

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of the Company's subsidiaries are set out in note 13 to the financial statements on pages 147 to 151 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group's total	
	sales	**purchases**
The largest customer	7%	
Five largest customers in aggregate	23%	
The largest supplier		5%
Five largest suppliers in aggregate		20%

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

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2023 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 102 to 189 of this annual report.

TRANSFER TO RESERVES AND DIVIDENDS

Profits attributable to equity shareholders, before dividends, of RMB961,427,000 (2022: RMB747,117,000) have been transferred to reserves. At 31 December 2023, aggregate amount of reserves available for distribution to equity shareholders of the Company amounted to approximately RMB1,260,420,000 (2022: RMB1,269,477,000). Other movements in reserves are set out in the consolidated statement of changes in equity.

An interim dividend of HK6.5 cents per share (2022: Nil) was paid on 12 September 2023. The Directors recommend, subject to the Company shareholders' approval at the forthcoming AGM, the payment of a final dividend of HK13.9 cents per share (2022: Nil) for the year ended 31 December 2023.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year under review amounted to RMB13,731,000 (2022: RMB14,261,000).

REPORT OF THE DIRECTORS

FIXED ASSETS

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 23(e) to the financial statements.

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

The Company or any of its subsidiaries did not make any purchase, sale or buy-back of listed securities of the Company for the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the financial year were:

Executive Directors

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

Independent non-executive Directors

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

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

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

DIRECTOR'S SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

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

As 31 December 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 C3 to the Listing Rules, were as follows:

LONG AND SHORT POSITION IN THE COMPANY

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

Notes:

(1) Mr. Ding Wuhao is deemed to be interested in 340,066,332 shares of the Company held by Dings International Company Limited by virtue of it being controlled by Mr. Ding Wuhao. He is the brother-in-law of both Mr. Ding Huihuang and Mr. Ding Huirong.

(2) Mr. Ding Huihuang is deemed to be interested in 327,624,454 shares of the Company held by Ming Rong International Company Limited by virtue of it being controlled by Mr. Ding Huihuang. He is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao.

(3) Mr. Ding Huirong is deemed to be interested in 324,066,454 shares of the Company held by Hui Rong International Company Limited by virtue of it being controlled by Mr. Ding Huirong. He is the brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao.

(4) Mr. Wang Jiabi is deemed to be interested in 168,784,611 shares of the Company held by Jia Wei International Co, Ltd. by virtue of it being controlled by Mr. Wang Jiabi.

Save as disclosed above, as at 31 December 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.

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 eligible participants of the Share Option Scheme include the following:

(a) any employee (whether full-time or part-time, including any executive Director, but excluding any non-executive Director) of the Company or any of its subsidiaries (and including persons who are granted options or awards under the Share Option Scheme as an inducement to enter into employment contracts with these companies);

(b) any non-executive Directors (including independent non-executive Directors) of the Company or any of its subsidiaries; and

(c) any person (whether a natural person, a corporate entity or otherwise) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, and excludes (for the avoidance of doubt) (i) placing agents or financial advisers providing advisory services for fund-raising, mergers or acquisitions, (ii) professional service providers (such as auditors or valuers) who provide assurance, or are required to perform their services with impartiality and objectivity ("Service Provider"), who falls under the following category or categories or who may meet with the eligibility criteria below:

  (i) *Supplier and manufacturer*: Service Providers under this category are mainly raw material suppliers and contract manufacturers, which the Group engages for its outsourcing of a portion of manufacturing of its footwear products, majority of apparel products, and all of its accessories products;

  (ii) *Distributor*: Service Providers under this category are mainly distributors of the Group's products. The Group adopted the distributorship model for its products in the PRC. The Group relies primarily on a number of third-party distributors for sales of the Group's products. Each of the distributors has exclusive distribution right over a certain geographical area in the PRC;

(iii) *Contractor, agent, consultant and adviser*: Service Providers under this category are mainly independent contractors, agents, consultants and advisers who provide design, research, development or other support or any advisory, consultancy, professional or other services (but for the avoidance of doubt exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisition, professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity) to the Group on areas relating to the Group's main businesses of manufacturing and trading of sporting goods, including footwear, apparel, accessories and others in the PRC and/or other principal business activity(ies) that may be carried out by the Group from time to time, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group and/or applying their specialised skills and/or knowledge in the abovementioned fields; or

(iv) *Business and joint venture partner*: Service Providers under this category are mainly business and joint venture partners who provide services to the Group on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of the Group by way of introducing new customers or business opportunities to the Group.

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 ("Scheme Mandate Limit") 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, representing 10% of the total number of shares in issue as at the date of this report. The sublimit on the total number of Shares that may be issued in respect of all options and awards to be granted to Service Providers under the Share Option Scheme and any other share schemes of the Company shall not exceed 50% of the Scheme Mandate Limit, being 103,384,100 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 (i.e. the maximum entitlement of each participant), 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. As at the date of this annual report, the remaining life of the Share Option Scheme was approximately 9 years. Please refer to the circular of the Company dated 4 April 2023 for further details of the terms of the Share Option Scheme.

On 21 June 2021, the Company granted a total of 100,000,000 share options to 118 eligible participants of the Group under the 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 year ended 31 December 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	Number of Options: Balance as at 1 January 2023	Granted during the year	Exercised during the period *(Note 3)*	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2023
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:

1. 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.

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 31 December 2023. The number of options available for grant under the service provider sublimit of the Share Option Scheme was 103,384,100 as at 31 December 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 year ended 31 December 2023.

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

As at 31 December 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	340,066,332 (L)	16.45%
Ming Rong International Company Limited	*(3)*	Beneficial owner	327,624,454 (L)	15.85%
Hui Rong International Company Limited	*(4)*	Beneficial owner	324,066,454 (L)	15.67%
Jia Wei International Co., Ltd.	*(5)*	Beneficial owner	168,784,611 (L)	8.16%
Jia Chen International Co., Ltd.	*(6)*	Beneficial owner	168,784,611 (L)	8.16%
Mr. Wang Jiachen	*(6)*	Interest in controlled corporation	168,784,611 (L)	8.16%

Notes:

1. The letter "L" indicates long position whereas the letter "S" indicates short position.

2. The entire issued share capital of Dings International Company Limited is owned by Mr. Ding Wuhao, an executive director and the president of the Company. Mr. Ding Wuhao is the sole director of Dings International Company Limited.

3. The entire issued share capital of Ming Rong International Company Limited is owned by Mr. Ding Huihuang, an executive director and the chairman of the Company. Mr. Ding Huihuang is the sole director of Ming Rong International Company Limited.

4. The entire issued share capital of Hui Rong International Company Limited is owned by Mr. Ding Huirong, an executive director. Mr. Ding Huirong is the sole director of Hui Rong International Company Limited.

5. The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr. Wang Jiabi, an executive director. Mr. Wang Jiabi is the sole director of Jia Wei International Co., Ltd.

6. The entire issued share capital of Jia Chen International Co., Ltd. is owned by Mr. Wang Jiachen, who is the brother of Mr. Wang Jiabi, an executive director of the Company.

Save as disclosed above, as at 31 December 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.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

MANAGEMENT CONTRACTS

Other than Directors' service contracts and employment contracts with the Group's senior management in full-time employment, no contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2023.

DIRECTORS' INTERESTS IN CONTRACTS

No transaction, arrangement or contract of significance to which the Company, or any of its holding companies or subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at the end of the year ended 31 December 2023 or at any time during the year ended 31 December 2023. No transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries, and no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors or their respective close associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Please also refer to the paragraph headed "Compliance with the Deed of Non-competition" below.

COMPLIANCE WITH THE DEED OF NON-COMPETITION

Each of Mr. Ding Wuhao, Dings International Company Limited, Mr. Ding Huihuang, Ming Rong International Company Limited, Mr. Ding Huirong and Hui Rong International Company Limited (collectively the "Covenantors" and each a "Covenantor") confirmed that, as at 31 December 2023, he/it had complied with the terms of the deed of non-competition ("Deed of Non-competition") dated 10 June 2009 signed by each of them in favour of the Group.

To monitor the compliance of the terms of the Deed of Non-competition by the Covenantors, the independent non- executive Directors have reviewed, among others, the business activities undertaken by the Covenantors (if any) outside of the Group. Based on the result of such review, the independent non-executive Directors are satisfied that the Covenantors have complied with the terms of the Deed of Non-competition for the year ended 31 December 2023.

REPORT OF THE DIRECTORS

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2023 are set out in note 20 to the financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions conducted during the year under review as disclosed in note 27 to the financial statements did not constitute connected transactions as defined under Chapter 14A of the Listing Rules. The Company has complied with the requirements in Chapter 14A of the Listing Rules.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 8 and 9 of this annual report.

RETIREMENT SCHEMES

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

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

The Group's total contributions to retirement schemes charged to the consolidated income statement during the year ended 31 December 2023 amounted to RMB44,562,000 (2022: RMB34,495,000).

CONFIRMATION OF INDEPENDENCE

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

CORPORATE GOVERNANCE CODE PRACTICES

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code contained in the Appendix C1 to the Listing Rules during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules. Upon the Company's enquires, all the Directors have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and policies adopted by the Group and the audited annual consolidated financial statements for the year ended 31 December 2023.

AUDITORS

Moore CPA Limited ("Moore") formerly known as Moore Stephens CPA Limited, will retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of Moore as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order and on behalf of the board of Directors

DING HUIHUANG
Chairman

Hong Kong SAR of the PRC, 13 March 2024

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company applied the principles and complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in the Appendix C1 to the Listing Rules during the year ended 31 December 2023, by focusing on areas such as risk management and internal control as well as effective and timely communication with shareholders so as to ensure and enhance corporate transparency and accountability.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as its own code of conduct for securities transactions. Having made specific enquiries with all of the Directors, all of the Directors confirmed that they had complied with the required standards set out in the Model Code for the year under review.

CORPORATE CULTURE AND STRATEGY

Overview

The vision of *361°* characterises the future development direction and the long-term goal of the Company, serving as guidance for strategic decisions of the Company. The values of *361°* define the code of conduct for daily business activities in the Company, which, together with our vision, construct a basic methodological framework for all decision-making and business activities of the Company. This framework not only provides guidance and direction for its operation and management, but also delineates the notion of the *361°* corporate culture.

Vision of *361°*: To be an Internationalised and Respected Sports Brand

361° is principally engaged in sports-related products as well as the improvement and innovation of their functions. Well established in the domestic market of China with a global vision, *361°* envisages becoming an internationally recognised sports brand, and its products and their use value being recognised widely by consumers both at home and abroad. While conducting business in many countries, we strive to maintain good relationships with and bring great value to our stakeholders, including governments, communities, media, employees, business partners, and various sports organisations.

Core Values of *361°*

1. Loyalty — Cohesion: Being honest, industrious and responsible, and prioritising corporate interest.
2. Pragmatism — Execution: Being practical and responsive, and judging by actual results.
3. Collaboration — Synergy: Seeking common ground and handling differences properly, and complementing one another for mutual benefits.
4. Efficiency — Capability: Sticking to the goal from the outset, and being punctual, credible and innovative.

By adhering to the brand belief of "ONE DEGREE BEYOND"（多一度熱愛）, *361°* will make continuous contribution to the society by shouldering its social responsibilities and to the sports development in China and the world through its business operations. The Company will persevere with its code of conduct so as to achieve our vision and goals.

CORPORATE GOVERNANCE REPORT

Practices of building corporate culture

Promotion of corporate culture and training

Starting from 2022, the Company plans to arrange 12 induction training sessions of our corporate culture annually, which are intended for all new recruits. Throughout 2023, the Company has completed 7 training sessions of corporate culture for new employees, with 359 participants on record. The participants were subject to corporate culture tests after each training session and all of the new employees passed such tests. In August 2023, in order to enhance the cultural awareness of our employees as a whole, the Company launched a series of comics featuring corporate values, whereby promoting our corporate culture in an in-depth but easy-to-understand manner. Our corporate value orientation campaigns, including "Corporate Culture Month" and "Corporate Value-oriented Comic Project", have encouraged our employees to educate themselves on the corporate culture, enabling them to gain a better understanding and knowledge, as well as enhancing their recognition and identification of our corporate culture.

Initiatives and projects on team building

Sport is the innate gene of the Company as a sports brand. Taking into account the practice of corporate culture and team building each year, the Company carries out 4 quarterly large-scale value series staff events, which aim to practise and promote our corporate culture in the sports events by implanting its core values into these events. In the 20th anniversary commemoration of the Company in July 2023, we held an all-member sports game with more than 300 athletes participating in 18 competitions, where all employees were present as a way to celebrate our 20th anniversary of our brand.

In addition, the Company has set up various activity clubs, including basketball, badminton, running, aerobics, yoga, frisbee and reading, to enhance our organisational vitality and cultivate employees' enterprising awareness. By October 2023, the club membership has grown to 920 members, attracting more than 2,000 participants to attend over 120 activities.

BOARD OF DIRECTORS

Responsibilities, accountabilities and contributions of the Board and the Management

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

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

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

CORPORATE GOVERNANCE

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

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

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

	Training courses	Board Meeting	Annual General Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Mr. Ding Huihuang (Chairman)	i	8/8	1/1	N/A	N/A	N/A
Mr. Ding Wuhao (President)	i	8/8	1/1	N/A	N/A	1/1
Mr. Ding Huirong (Vice President)	i	8/8	1/1	N/A	N/A	N/A
Mr. Wang Jiabi (Vice President)	i	8/8	1/1	N/A	2/2	N/A
Independent Non-executive Directors						
Mr. Wu Ming Wai Louie	i, ii, iii	8/8	1/1	4/4	N/A	1/1
Mr. Hon Ping Cho Terence	i, ii, iii	8/8	1/1	4/4	2/2	1/1
Mr. Chen Chuang	i	8/8	1/1	4/4	2/2	N/A

Notes:

i. Directors who attended Corporate Governance training course organised by the Company's legal adviser during the year under review.

ii. Directors who attended courses organised by professional bodies during the year.

iii. Directors who attended courses organised by the Hong Kong Institute of Certified Public Accountants.

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

Board composition

For the year ended 31 December 2023 and as at 31 December 2023, the Board comprised of four executive Directors and three independent non-executive Directors. Biographical details of the current Directors and the relationships between the Directors (if any) are set out in the section headed "Directors and Senior Management" of this annual report.

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

The composition of the Board is well balanced with the Directors having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group. A summary of the board diversity policy of the Company is set out on page 83 of this annual report. The executive Directors and independent non-executive Directors bring a variety of experience and expertise to the Company. In determining the independence of the independent non-executive Directors, the Board follows the requirements as set out in Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers all the independent non-executive Directors to be independent pursuant to Rule 3.13 of the Listing Rules.

THE ROLES OF THE CHAIRMAN AND PRESIDENT

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

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

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

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

TERMS OF APPOINTMENT OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 30 June 2009, renewable upon expiry, and each of such service contracts was renewed on 30 June 2012, 30 June 2015, 30 June 2018 and 30 June, 2021, respectively. Each of Mr. Hon Ping Cho Terence, Mr. Chen Chuang and Mr. Wu Ming Wai Louie, all of whom are independent non-executive Directors, has entered into a service contract with the Company for a term of three years commencing from 20 May 2019 and 27 August 2019 and 4 August 2020, respectively, which are also renewable upon expiry. The service contracts with Mr. Hon Ping Cho Terence and Mr. Chen Chuang were renewed on 20 May 2022 and 27 August 2022 respectively. The service contract with Mr. Wu Ming Wai was extended automatically upon the expiry on 3 August 2023.

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

COMPANY SECRETARY

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group.

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

(i) any changes in accounting policies and practices;

(ii) major judgmental areas;

(iii) significant adjustments resulting from audit;

(iv) the going concern assumptions and any qualifications;

(v) compliance with accounting standards;

(vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

(vii) reviewing the fairness of connected transactions and making disclosures in accordance with the Listing Rules and accounting standards.

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

The Audit Committee held four meetings during the year ended 31 December 2023 with three meetings having been attended by external auditors. The meetings primarily discussed the auditing, internal audit function, risk management, internal controls and financial reporting matters of the Company. The Audit Committee has including but not limited to: (i) considered significant or unusual items that are, or may need to be, reflected in the reports and accounts and matters that have been put forward by the Company's staff responsible for the accounting and financial reporting function as well as external auditors; (ii) oversighted the Company's financial reporting system and internal control procedures to review the Company's financial controls, internal control and risk management systems; (iii) reviewed the effectiveness of internal audit function by the review of internal audit reports and meeting with the head of internal audit department; and (iv) discussed with the management about the risk management and internal control system of the Company to ensure that management has performed its duty to have an effective risk management and internal control system. The discussion also included (a) the adequacy of resources; (b) staff qualifications and experience; (c) training programmes and budget of the Company's accounting and financial reporting function; (d) major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; (e) ensured co-ordination between the internal and external auditors; (f) ensured the internal audit function is adequately resourced and has appropriate standing within the Company; (g) reviewed and monitored the effectiveness of the internal audit function of the Group; (h) review of the Group's financial and accounting policies and practices and the external auditors' management letter; (i) material queries raised by the external auditors to management about accounting records, and financial accounts and systems of control as well as management's responses; and (j) reviewed and monitored the effectiveness of the whistleblowing and anti-corruption policies and systems of the Company. During the year under review, the Audit Committee has also reviewed the consolidated financial statements of the Group for the six months ended 30 June 2023 and the year ended 31 December 2023. For the details of members' attendance of the Audit Committee's meeting, please refer to the table on page 78.

REMUNERATION COMMITTEE

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

The primary duties of the Remuneration Committee include to: (i) make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) make recommendation to the Board on the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payments; (iv) make recommendations to the Board on the remuneration of non-executive Directors; (v) consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (vii) ensure that no director or any of his associates is involved in deciding his own remuneration; and (viii) review and/or approve matters relating to share schemes of the Company under Chapter 17 of the Listing Rules. There were no material matters relating to the Share Option Scheme of the Company which required the Remuneration Committee to review and/or approve during the financial year ended 31 December 2023.

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

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

The Remuneration Committee held two meetings, including to assess performance of the executive Directors, review and approve the remuneration packages of Directors and senior management of the Group and the adoption of new share option scheme in order to cope with the new requirements under Chapter 17 of the Listing Rules during the year ended 31 December 2023.

For the details of members' attendance of the Remuneration Committee Meeting, please refer to the table on page 78.

NOMINATION COMMITTEE

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

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

Board Diversity Policy

The Company has adopted the board diversity policy on 29 August 2013, which was revised on 1 January 2019 (the "Board Diversity Policy"). The purpose of the Board Diversity Policy is to set out the basic principles to be followed to ensure that the Board has appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Under the Board Diversity Policy, the selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to, gender, age, cultural background, educational background, and professional experience, which are the measurable objectives for implementing the Board Diversity Policy. The Nomination Committee is also responsible for reviewing the Board Diversity Policy, developing and reviewing measurable objectives for implementing the policy and monitoring the progress on achieving these measurable objectives. The review of the Board Diversity Policy and the measurable objectives shall be carried out at least annually to ensure the continued effectiveness of the Board. For the year ended 31 December 2023, the Company has achieved the following measurable objectives that the Board has set for implementing the Board Diversity Policy:

(a) To ensure at least two members of the Board shall have obtained accounting or other professional qualification;

(b) To ensure at least one-third of the members of the Board shall have attained bachelor's degree or higher level of education;

(c) To ensure at least one member of the Board was or currently is director of listed companies (including Hong Kong and other regions) other than the Company;

(d) To ensure Board has members coming from different cultural backgrounds (including Hong Kong and PRC); and

(e) To ensure the age distribution of the members of the Board comprised of people from at least two decades.

The Nomination Committee has primary responsibility for identifying suitably qualified candidates to become members of the Board and shall give adequate consideration to the Board Diversity Policy in selection of Board candidates. Board nomination and appointments will continue to be made on merit basis based on the Group's business needs from time to time with adequate consideration of diversity of Board members. As to gender diversity of the Board and in the workforce, please refer to page 83 of this annual report.

A summary of nomination process is as follows:

Appointment of new director

(1) The Nomination Committee or the Board shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out in the Board Diversity Policy to determine whether such candidate is qualified for directorship.

(2) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(3) The Nomination Committee shall then recommend to the Board to appoint the appropriate candidate for directorship.

(4) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and the Board shall evaluate such candidate based on the criteria as set out in the Board Diversity Policy to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

(1) The Nomination Committee and the Board shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

(2) The Nomination Committee shall also review and determine whether the retiring director continues to meet the criteria as set out in the Board Diversity Policy.

(3) The Nomination Committee and/or the Board shall then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

During the year under review, the Nomination Committee held one meeting in the year ended 31 December 2023. The work carried out by the Nomination Committee during the year included to nominate the members of Board for retirement and re-election at the annual general meeting and to review the structure, size and composition of the Board. For the details of members' attendance of the Nomination Committee meeting, please refer to page 78 of this annual report. The Nomination Committee also considered the Board Diversity Policy and whether the Board had the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. After due consideration, the Nomination Committee has concluded that based on the Company's existing business model and specific needs, the current composition of the Board satisfies the Board Diversity Policy for the year under review.

Independence of Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board as they bring an impartial view on the Company's strategies, performance and control, as well as ensuring that the interests of all shareholders of the Company are considered. All independent non-executive Directors possess appropriate academic, professional qualifications or related financial management experience.

In addition to the annual meeting among the Chairman and the independent non-executive Directors only as well as the annual confirmation of independence pursuant to the Rule 3.13 of the Listing Rules as noted above, the Nomination Committee and the Board are committed to review and assess the Directors' independence annually in order to ensure that independent views and input of the independent non-executive Directors are made available to the Board. Factors taken into account in such independence review include, and are not limited to, the following:

(1) required character, integrity, perspectives, skills, expertise and experience to fulfil their roles;

(2) time commitment and attention to the Company's affairs;

(3) firm commitment to their independent roles and to the Board;

(4) declaration of conflicts of interest (if any) in their roles as independent non-executive Directors;

(5) no involvement in the daily management of the Company nor in any relationship or circumstances which would affect the exercise of their independent judgement; and

(6) further reappointment of an independent non-executive Director (including any long-serving independent non- executive Director, where applicable) is subject to a separate resolution to be approved by the shareholders.

DIVERSITY

In terms of gender diversity, while the Board is currently a single gender board, the Nomination Committee and the Board recognise the importance and benefits of gender diversity at the Board level and are committed to identify female candidates and appoint at least one female director on the Board no later than 31 December 2024.

As at 31 December 2023, the Group employed a total of 7,375 full time employees in the PRC who included senior management, management staff, technicians, salespersons and workers. The gender ratio in the workforce was as follows:

Overall male to female ratio	**Male 49%; Female 51%**
By rank and gender:	
Senior management	Male 71%; Female 29%
Management staff	Male 55%; Female 45%
Technicians	Male 49%; Female 51%
Salespersons	Male 41%; Female 59%
Workers	Male 48%; Female 52%

The Company will continue to take gender diversity into consideration during recruitment and increase the female proportion at all levels over time with the ultimate goal of achieving gender parity, such that there is a pipeline of female senior management and potential successors to the Board in the future.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration of the members of the senior management by band for the year ended 31 December 2023 is set out below:

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

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix D2 to the Listing Rules are set out in notes 7 and 8 to the financial statements, respectively.

AUDITORS' REMUNERATION

During the year ended 31 December 2023, the remuneration paid or payable to the external auditors, in respect of their audit and non-audit services are as follows:

	2023
Statutory audit services	**HK$3,120,000**
Non-audit services – Review of interim results	**HK$300,000**
Total	**HK$3,420,000**

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

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

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

Board

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

Audit Committee

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

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

IARM Department

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

Management

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

Risk management process

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

Risk identification

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

Risk assessment

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

Control activities

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

Risk monitoring

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

Risk management review

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

Annual Review

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

Whistleblowing and Anti-Corruption Policies

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

The Company has also established an anti-corruption policy and system to promote and support anti-corruption laws and regulations. The anti-corruption policy sets out the basic standard of conduct which applies to all directors and employees of the Company. It also provides guidance on accepting advantages and handling conflicts of interest.

Policy and Procedures of Handling and Dissemination of Inside Information

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

Relationship with Investors

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

Shareholders' Communication Policy

The Group's Investor Relations Department has established several channels and maintained close communication with shareholders and potential investors through emails, conference calls, one-on-one meetings, broker strategy conferences, and non-deal roadshows, to ensure that its shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information and updates about the Company for exercising their rights in an informed manner and engaging actively with the Company. During the year under review, the Group actively maintained close communication with the capital market through face-to-face meetings and channels such as video and audio conferences. The Group also managed to arrange several physical events for investors and analysts, including inviting them to participate in the Group's trade fairs held in different quarter, so as to deepen the capital market's understanding of the Group's business and operations and further enhance corporate transparency. An annual general meeting (and if necessary, extraordinary general meetings) would be held to provide a forum for shareholders to make comments and exchange views with the Directors and senior management.

The investors may also visit the Group's Investor Relations website at www.ir.361sport.com where the Group's announcements, financial information, stock quotes, coverage analysts, results briefing, press releases and other information are posted. The Group welcomes all investors to continue to give their opinions and suggestions to the Group. For any enquiries, please feel free to contact our Investor Relations Department via email to nina@361sportshk.com. Corporate communications such as annual reports, interim reports, circulars and announcements are available on the website of the Stock Exchange as well.

CORPORATE GOVERNANCE REPORT

During the year under review, the Company has garnered several distinctions, affirming its prowess in investor relations and ESG aspects. In April and May 2023, the Company was named as the "6th New Fortune Best IR of Hong Kong Listed Company (H-share)" and has received the prestigious "Tianma Award for Investor Relations of Hong Kong Listed Companies", showcasing the solid results the IR team delivered. In June 2023, the Company was once again awarded the "Best IR Company" in the small-cap category at the 9th Investor Relations Awards 2023 organised by the Hong Kong Investor Relations Association, underscoring the recognition from the capital market for its dedication in achieving highly effective and transparent communication with the market. Furthermore, the Company's IR team was once again honoured as the "Best IR Team," with Ms. Zhan Nina Xiao Xiao additionally being honoured as the "Best IR Officer." Additionally, in December 2023, the Company was honoured with the "ESG Innovation Award 2023" by The Guangdong-Hong Kong Macau Greater Bay Area Industry and Commerce Federation, demonstrating its steadfast commitment to sustainable development to ESG principles. In January 2024, the Company won the "Best Capital Market Communication Award", while Ms. Zhan Nina Xiao Xiao also received the distinction of the "Best IR Director" by the 7th China Excellence in IR Award.

The Board has conducted an annual review of the implementation and effectiveness of the shareholders' communication policy of the Company and concluded that the policy was implemented effectively during the year under review.

Voting by Poll

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

Dividend Policy

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

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

Convening of extraordinary general meeting on requisition by Shareholders

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

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

Procedures for putting forward proposals at general meetings

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

Procedures for directing shareholders' enquiries to the Board

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

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

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

Constitutional Documents

There was no change in the amended and restated memorandum and articles of association of the Company during the year ended 31 December 2023.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Wuhao (丁伍號), aged 58, joined the Group in June 2003 and has been the President of the Company since August 2008. He is primarily responsible for the Group's overall strategies, planning and business development. He has over 20 years of experience in the PRC sportswear industry. He was a member of the Chinese People's Political Consultative Conference ("CPPCC") Fujian Province Jinjiang City Committee (中國人民政治協商會議福建省晉江市委員會) from 2006 to 2011. In October 2008, he received the award of the "2008 Most Socially Responsible Entrepreneur in China" (二零零八年度中國最具社會責任企業家) by the Annual Selection Organising Committee of China Human Resources Management (中國人力資源管理年度評選組委會). In May 2009, he received the "Contribution Award for China TV Sports Programmes" (中國體育電視貢獻獎) by CCTV Sports Channel (中央電視台體育頻道). In 2010, he was awarded "Top Ten Chinese Entrepreneur of Integrity of the Year (創業中國年度十大誠信人物獎)" by "Example for China (《榜樣中國》)" and "Outstanding Contribution Award for Asian Games (亞運突出貢獻獎)" by 16th Asian Games Organising Committee (第十六屆亞運會組委會). In 2011, he was awarded "The Most Caring Chinese Entrepreneur on Staff's Development (中國最關注員工發展企業家)" at the eighth session of China Human Resource Management Innovation Summit (第八屆中國人力資源管理創新高峰會) and "Top Ten Youth Business Leader in Asia (亞洲十大青年商業領袖)" by Forbes. In 2021, he was awarded the "Outstanding Contribution Award of Asian Games (亞洲體育傑出貢獻獎)" by Olympic Council of Asia (亞洲奧林匹克理事會). In 2023, he was honoured with the "Influential Person of the Year (年度影響力人物)" by Southern Weekly (南方週末). He completed a CEO in China's Enterprise/Finance program at the Cheung Kong Graduate School of Business in August 2012. Mr. Ding is the brother-in-law of Mr. Ding Huihuang and Mr. Ding Huirong, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Dings International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huihuang (丁輝煌), aged 58, joined the Group in June 2003. He was appointed as an executive Director in August 2008 and is the chairman of the Company. He is primarily responsible for overall strategies, operation planning and footwear production. He has over 20 years of experience in the PRC sportswear industry. He was awarded the "Top Ten Outstanding Youths in China Industrial Economy" (中國工業經濟十大傑出青年) by the Organising Committee of China Industry Forum (中國工業論壇組委會) in January 2008 and the "Top Ten Outstanding Youth Entrepreneurs of Quanzhou City" (泉州市十大傑出青年企業家) jointly issued by 18 governmental and commercial institutions in Quanzhou City, Fujian Province, the PRC, in February 2007. He has been a standing member of the third committee of Quanzhou City Shoe Commercial Association (泉州市鞋業商會) and a vice chairman of Fujian Province Shoe Industry Association (福建省鞋業行業協會) since January 2006 and January 2007 respectively. Mr. Ding is the elder brother of Mr. Ding Huirong and the brother-in-law of Mr. Ding Wuhao, both of whom are executive Directors. Mr. Ding is the sole director and sole shareholder of Ming Rong International Company Limited, a substantial shareholder of the Company.

Mr. Ding Huirong (丁輝榮), aged 52, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for financial management and infrastructure construction management of the Company, more specifically the construction of the new production facility and warehouse of the Group at the Wuli Industrial Park. He has over 20 years of experience in financial management. Mr. Ding is the younger brother of Mr. Ding Huihuang and the brother-in-law of Mr. Ding Wuhao, both executive Directors. Mr. Ding is the sole director and sole shareholder of Hui Rong International Company Limited, a substantial shareholder of the Company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Jiabi (王加碧), aged 66, joined the Group in June 2003 and was appointed as an executive Director in August 2008 and is a vice president of the Company. He is primarily responsible for human resources and external public relationship. Mr. Wang has over 20 years of experience in the PRC sportswear industry. He has completed an EMBA programme offered by Peking University (北京大學) in January 2010. Mr. Wang is the sole director and sole shareholder of Jia Wei International Co., Ltd., a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Wu Ming Wai Louie (胡明偉), aged 63, joined the Group in August 2020 and is an independent non-executive Director. Mr. Wu has over 35 years of extensive experience in corporate finance, accounting, auditing, taxation, and financial management. He was awarded a professional diploma in Accountancy from The Hong Kong Polytechnic in 1986. He is the sole practitioner of Louie Wu & Co., a certified public accountants firm in Hong Kong since 1993. Mr. Wu is a fellow member of the Hong Kong Institute of Certified Public Accountants and fellow member of both the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Wu is also a Certified Tax Adviser in Hong Kong and the member of the Finance Committee of the Hong Kong Arts Centre, and the honorary auditors of both Anita Mui "True Heart" Charity Foundation and Hong Kong Federation of Drama Societies.

Mr. Hon Ping Cho Terence (韓炳祖), aged 64, joined the Group in May 2019 and is an independent non-executive Director. Mr. Hon has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He was awarded a master's degree in Business Administration (Financial Services) from The Hong Kong Polytechnic University in November 2004. He is currently an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock code: 00520), Daphne International Holdings Limited (Stock code: 00210) and SinoMab BioScience Limited (Stock code: 03681). He was an independent non-executive director of Jimu Group Limited (Stock code: 08187) from December 2017 to May 2021. Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

Mr. Chen Chuang (陳闖), aged 46, joined the Group in August 2019 and is an independent non-executive Director. Mr. Chen has over 15 years of experience in corporate strategy, large enterprises innovation, and internal innovation. He was awarded a bachelor's degree and a master's degree in Management from the Dalian University of Technology (大連理工大學). He also received his doctorate degree in Business Administration from Tsinghua University (清華大學). He is currently an independent non-executive director of Hengan International Group Company Limited (Stock code: 01044) and a professor of business management at the Master of Business Administration Education Centre of the School of Management of Xiamen University (廈門大學管理學院工商管理教育中心). Mr. Chen is a committee member of Case Research Division of Chinese Society for Management Modernisation (中國管理現代化研究會案例研究專業委員會).

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chen Yongling Mophy (陳永靈), aged 50, joined the Group in August 2005 and serves as the vice president of the board of directors of the Group. He is primarily responsible for the strategy planning and capital operation of the Group. Mr. Chen is widely recognised as the outstanding party member of the Revolutionary Committee of the Chinese Kuomintang, and is also the executive director of Entrepreneur Union of Revolutionary Committee of the Chinese Kuomintang in Fujian, the member of the 12th and 13th Sessions of Quanzhou Committee of Chinese People's Political Consultative Conference, and the standing director of Fujian Economic Association. Mr. Chen has extensive experience in corporate strategy, corporate financial management, capital operation and new retail chain operation management, with extensive working experience in areas of finance, real estate, agriculture and national FMCG (Fast Moving Consumer Goods) retail chain industry. Mr. Chen holds qualifications for economics and accountant of the PRC, and is qualified as the International Certified Senior Accountant and National Secretary (second class). He is known for being honoured as the talent for the China Strategic Talent Pool, Xiamen Government "550" Industrial Talent, Quanzhou and Jinjiang High-level Talent, Hong Kong Quality Talent and Jinjiang Outstanding Talent. With exceptional expertise in the fields of economy and finance, Mr. Chen has received several national awards, including "China's Chief Accountant of the Year Award" and "Chinese Economist Award".

Mr. Li Yuen Fai Roger (李苑輝), aged 63, joined the Group as an independent non-executive Director in July 2016 and served as the chief financial officer, an authorised representative and the company secretary of the Group in August 2018. He is responsible for the overall financial management and company secretarial functions of the Group. Mr. Li has over 30 years of experience in corporate finance, accounting, auditing, corporate administration and business development. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Taxation Institution of Hong Kong. He was a member of the 7th, 8th and 9th Member of People's Political and Consultative Congress of Heilongjiang Province in the People's Republic of China, and was appointed as the Economic Adviser of the Government of Chengde City of Hebei Province in the People's Republic of China in 1995.

Ms. Zhan Nina Xiao Xiao (詹瀟瀟), aged 42, joined the Group in October 2015 and served as the vice-president of investor relations of the Group. She is primarily responsible for the Group's investor relations and capital market programme. Ms. Zhan has over 15 years of experience in corporate finance, investor relations, corporate governance and management from her previous positions in investment banking, communication advisory and Hong Kong listed company. She received her bachelor's degree from Peking University, majoring in international relations and double majoring in economics. She received her master's degree from the University of Pennsylvania in 2005, majoring in international political economy.

Mr. Zheng Yexin (鄭業欣), aged 50, joined the Group in May 2018 serving as the general manager of brand management centre. He is primarily responsible for formulation and implementation of brand strategy and construction and management of brand system. Mr. Zheng received his bachelor's degree in arts from Shanxi University in 1997. He has over 20 years of experience in brand strategy, marketing promotion and innovation management, and has over 10 years of experience in serving various international 4A and local advertisement companies, where he provided marketing strategies and innovation services to numerous leading enterprises in the PRC and abroad. Prior to joining the Group, he worked in the brand management centre of an industry leader in 2015 and was responsible for multi-product category strategy and promotion.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Geng Huajie (耿華杰), aged 40, joined the Group in May 2016 and served as the general manager of the Kids business of the Group. He is primarily responsible for the daily operation of the Kids business of the Group and has over 15 years of experience in branding, sales, merchandising operation and business management. He graduated from Henan University of Economics and Law with a bachelor's degree in public service management in 2006. Prior to joining the Group, he had worked for children's sportswear industry leaders for many years.

Mr. Wang Xinning (王新寧), aged 42, joined the Group in December 2012 and served as the general manager of the Group's e-commerce management centre, and is primarily responsible for the works regarding online e-commerce business of the Group. Mr. Wang received his bachelor's degree in computer and information engineering in Germany in 2005. Prior to joining the Group, Mr. Wang worked for and served a number of international and domestic leading sports brand companies. He has extensive experience in the design, development and manufacturing of footwear and the e-commerce operation of sports brands.

Ms. Jin Yanli (金豔麗), aged 48, joined the Group in July 2019 serving as the general manager of the overseas business centre. She is primarily responsible for the channel development, brand building and operating management in overseas markets. She has been serving as the general manager of the American branch and European branch concurrently. Ms. Jin received her master's degree in interpreting and translation from University of Leeds in the UK in 2005 and MBA degree from Kedge Business School in Shanghai Jiao Tong University in 2009 respectively. Ms. Jin has worked in retail industry for over 15 years and accumulated extensive operating and management experiences in sports, apparel and accessories retail sectors.

Mr. Dong Hui (董輝), aged 44, joined the Group in April 2022 serving as the general manager of the information management centre, and is primarily responsible for the information management of the Group. Mr. Dong is a postgraduate student majoring in information management, and has nearly 20 years of experience in enterprise informatization and digitization. He specialises in the management and operation in terms of end-to-end value realisation of enterprise supply chain, digitalization, industrial internet and intelligent manufacturing, and has been awarded the honorary title of National Outstanding CIO for many times. He also serves as an expert member of China Intelligent Manufacturing Committee of 100, a member of China Industrial Service Alliance Committee and an expert member of Guangdong Digital Transformation Committee.

Ms. Zhang Tie Ying Annabel (張鐵英), aged 39, joined the Group in August 2016 and served as the Director of Capital Operations. She is mainly responsible for the Group's capital operations. She obtained a Master's degree in Linguistics and Applied Linguistics from Beijing Language and Culture University (北京語言大學) in 2011, specialising in psychological and language testing, and a Master's degree in Corporate Governance from the Metropolitan University of Hong Kong in 2023. She holds a board secretary qualification issued by the Shanghai Stock Exchange, a "Chartered Secretary", "Corporate Governance Practitioner" qualification for corporate governance professionals issued by the Hong Kong Corporate Governance Association, and an ESG Governance Training Certificate.

INDEPENDENT AUDITOR'S REPORT

MOORE

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大華馬施雲
會計師事務所有限公司

to the Members of 361 Degrees International Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of 361 Degrees International Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 102 to 189, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements as at and for the year ended 31 December 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

The Key Audit Matter

Revenue of the Group mainly comprises sales of footwear, apparel and accessories through its network of distributors. For the year ended 31 December 2023, such revenue of the Group amounted to approximately RMB6,421,228,000.

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

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

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

How the matter was addressed in our audit

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

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

Expected credit loss assessment of trade receivables (Refer to Notes 1(g), 2(ii), 16 and 25(a) to the consolidated financial statements)

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2023, the gross trade receivables of the Group amounted to approximately RMB4,038,146,000 and of its related allowance for expected credit loss amounted to approximately RMB253,622,000. The management of the Company performed periodic assessment on the recoverability of the trade receivables and the sufficiency of the allowance for expected credit loss. The management of the Company estimated the expected credit loss allowance based on provision matrix through grouping of various customers that have similar loss patterns, after considering the credit profile of respective customers, ageing analysis, historical settlement records, subsequent settlement status and on-going trading relationships with the relevant customers. The management of the Company also considered the forward-looking information that may impact the customers' ability to repay the outstanding balances as to estimate the expected credit loss allowance. We have identified the management's assessment of the recoverability of the trade receivables and estimation of expected credit loss allowance as a key audit matter because the amounts involved were significant and the assessment required significant management judgement and estimation uncertainty.	Our audit procedures to address the expected credit loss assessment of trade receivables included the following: • obtaining an understanding of the Group's key internal controls and assessment process of the estimation of expected credit loss allowance for trade receivables and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • evaluating and validating the key internal controls over the estimation of expected credit loss allowance for trade receivables; • obtaining and testing the ageing analysis of the trade receivables, on a sample basis, to the underlying financial records and post year-end settlements to bank receipts and discussing with the management of the Company about their evaluation of the background and financial capability of the debtors and their credit assessment that the amounts were recoverable; • inquiring the management of the Company for the status of each of the material trade receivables past due as at the year ended and corroborating explanation from the management with supporting evidence, such as understanding on-going business relationship with the customers based on the trade records, checking historical and subsequent settlement status of and other correspondence with the customers;

The Key Audit Matter	How the matter was addressed in our audit
	• assessing the appropriateness of the expected credit loss provisioning methodology including the identification of credit-impaired trade receivables, the reasonableness of the grouping of trade receivables in the provision matrix and the accuracy of roll rates applied on each time band and the estimated loss rates adopted; • examining the key data inputs to assess their accuracy and completeness and challenge the assumptions including both historical and forward-looking information especially the market data with particular focus on the impact of the pandemic, used in determination of the expected credit loss allowance with our internal valuation specialists; and • assessing the adequacy of the disclosures related to expected credit loss allowance of trade receivables in the context of HKFRSs in the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Moore CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 13 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	*3*	**8,423,257**	6,960,826
Cost of sales		**(4,961,102)**	(4,140,178)
Gross profit		**3,462,155**	2,820,648
Other revenue	*4*	**384,976**	414,947
Other net loss	*4*	**(15,778)**	(20,391)
Selling and distribution expenses		**(1,862,988)**	(1,433,251)
Administrative expenses		**(630,028)**	(541,391)
Reversal of/(provision for) expected credit losses on trade receivables	*25(a)*	**45,212**	(166,417)
Profit from operations		**1,383,549**	1,074,145
Finance costs	*5(a)*	**(20,159)**	(9,409)
Profit before income tax	*5*	**1,363,390**	1,064,736
Income tax expense	*6*	**(323,255)**	(247,956)
Profit for the year		**1,040,135**	816,780
Attributable to:			
Equity holders of the Company		**961,427**	747,117
Non-controlling interests		**78,708**	69,663
Profit for the year		**1,040,135**	816,780
Earnings per share	*10*		
Basic and diluted (RMB cents)		**46.5**	36.1

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Profit for the year		**1,040,135**	816,780
Other comprehensive income for the year, net of income tax	9		
Item that will not be reclassified to profit or loss:			
Equity investments designated at fair value through other comprehensive (loss)/income			
— net movement in fair value reserve		**(10,826)**	5,287
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**4,538**	12,498
Total comprehensive income for the year, net of income tax		**1,033,847**	834,565
Attributable to:			
Equity holders of the Company		**955,139**	764,902
Non-controlling interests		**78,708**	69,663
Total comprehensive income for the year		**1,033,847**	834,565

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment	11	765,176	772,585
Right-of-use assets	12	101,730	102,050
		866,906	874,635
Other financial asset	14	20,212	32,948
Deposits and prepayments	16	397,108	93,476
Deferred tax assets	22	163,692	151,074
		1,447,918	1,152,133
Current assets			
Inventories	15	1,350,344	1,182,455
Trade receivables	16	3,784,524	2,954,283
Bills receivable	16	46,860	69,610
Deposits, prepayments and other receivables	16	1,226,700	1,192,836
Pledged bank deposits	17	12,415	24,138
Deposits with banks	17	1,600,000	2,000,000
Cash and cash equivalents	17	3,596,489	3,860,442
		11,617,332	11,283,764
Current liabilities			
Trade and other payables	18	2,577,281	2,326,795
Lease liabilities	19	1,524	303
Bank loans	20	47,991	192,282
Current taxation		461,246	386,129
		3,088,042	2,905,509
Net current assets		8,529,290	8,378,255

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Total assets less current liabilities		9,977,208	9,530,388
Non-current liabilities			
Lease liabilities	19	1,294	269
Bank loans	20	244,500	100,000
Deferred tax liabilities	22	8,244	12,440
		254,038	112,709
Net assets		9,723,170	9,417,679
Capital and reserves			
Share capital	23(c)	182,305	182,298
Reserves	23(d)	8,900,062	7,761,232
Total equity attributable to equity shareholders of the Company		9,082,367	7,943,530
Non-controlling interests	28	640,803	1,474,149
Total equity		9,723,170	9,417,679

The consolidated financial statements on pages 102 to 189 were approved and authorised for issue by the board of directors on and are signed on its behalf by:

Ding Wuhao
Director

Ding Huihuang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

		Attributable to equity shareholders of the Company										
	Notes	**Share capital** *(Note 23(c))* RMB'000	**Share Premium** *(Note 23(d)(i))* RMB'00	**Other reserves** *(Note 23(d)(ii))* RMB'000	**Statutory reserve** *(Note 23(d)(iii))* RMB'000	**Exchange reserve** *(Note 23(d)(iv))* RMB'000	**Fair value reserve (non-recycling)** *(Note 23(d)(v))* RMB'000	**Share Option reserve** *(Note 24(d)(vi))* RMB'000	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2022		182,298	-	86,772	944,125	(34,581)	16,971	26,125	5,895,055	7,116,765	1,438,876	8,555,641
Profit for the year		-	-	-	-	-	-	-	747,117	747,117	69,663	816,780
Other comprehensive income		-	-	-	-	12,498	5,287	-	-	17,785	-	17,785
Total comprehensive income for the year		-	-	-	-	12,498	5,287	-	747,117	764,902	69,663	834,565
Appropriation to statutory reserve		-	-	-	63,056	-	-	-	(63,056)	-	-	-
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	(34,390)	(34,390)
Equity-settled share option expense	*30*	-	-	-	-	-	-	61,863	-	61,863	-	61,863
Balance at 31 December 2022 and 1 January 2023		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
Profit for the year		-	-	-	-	-	-	-	961,427	961,427	78,708	1,040,135
Other comprehensive income		-	-	-	-	4,538	(10,826)	-	-	(6,288)	-	(6,288)
Total comprehensive income for the year		-	-	-	-	4,538	(10,826)	-	961,427	955,139	78,708	1,033,847
Appropriation to statutory reserve		-	-	-	85,043	-	-	-	(85,043)	-	-	-
Dividends declared and paid during the year	*23(b)*	-	-	-	-	-	-	-	(121,806)	(121,806)	-	(121,806)
Dividends to non-controlling interests of subsidiaries		-	-	-	-	-	-	-	-	-	(56,949)	(56,949)
Transactions with non-controlling interests of subsidiaries	*13(v), 23(d)(ii)*	-	-	305,215	-	-	-	-	-	305,215	(855,105)	(549,890)
Exercise of share options	*30*	7	341	-	-	-	-	(59)	-	289	-	289
Lapse of share options	*30*	-	-	-	-	-	-	(87,929)	87,929	-	-	-
Balance at 31 December 2023		182,305	341	391,987	1,092,224	(17,545)	11,432	-	7,421,623	9,082,367	640,803	9,723,170

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before income tax		**1,363,390**	1,064,736
Adjustments for:			
Depreciation of property, plant and equipment	*5(c)*	**69,456**	65,475
Depreciation of right-of-use assets	*5(c)*	**5,899**	3,103
Effect of foreign exchange rates changes		**12,098**	12,758
Finance costs	*5(a)*	**20,159**	9,409
Equity-settled share option expense	*30*	**-**	43,647
(Reversal of)/provision for expected credit loss allowance of trade receivables	*5(c)*	**(45,212)**	166,417
Interest income	*4*	**(83,571)**	(82,922)
Net loss on disposal of property, plant and equipment	*4*	**1,531**	6,814
Provision for/(reversal of) impairment of inventories	*5(c)*	**5,893**	(3,417)
Changes in working capital:			
Inventories		**(172,679)**	(286,572)
Trade receivables		**(784,352)**	(592,890)
Bills receivable		**22,750**	3,073
Deposits, prepayments and other receivables		**5,112**	1,083
Trade and other payables		**250,376**	255,088
Cash generated from operations		**670,850**	665,802
People's Republic of China income tax paid		**(263,042)**	(285,465)
Net cash generated from operating activities		**407,808**	380,337
Investing activities			
Payment for the purchase of property, plant and equipment		**(63,978)**	(30,957)
Proceeds from disposal of property, plant and equipment		**1,529**	3,125
Decrease in pledged bank deposits		**11,723**	28,032
Placements of fixed deposits held at banks with maturity over three months		**(1,600,000)**	(2,000,000)
Withdrawal of matured fixed deposits held at banks with maturity over three months		**2,000,000**	2,000,000
Interest received		**67,496**	84,888
Net cash generated from investing activities		**416,770**	85,088

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Financing activities			
Cash received from exercising of share option	*17*	**289**	–
Principal element of lease rentals paid	*17*	**(3,334)**	(348)
Interest element of lease rentals paid	*17*	**(321)**	(28)
Proceeds from bank loans	*17*	**400,000**	265,000
Repayment of bank loans	*17*	**(399,871)**	(181,295)
Increase in amounts due to non-controlling interests	*17*	**22,336**	19,870
Interest paid	*17*	**(19,838)**	(9,381)
Payment for equity transaction with non-controlling shareholders	*13*	**(549,890)**	–
Consideration deposit for acquisition of non-controlling interests	*13*	**(350,000)**	–
Dividends paid to shareholders	*23(b)*	**(121,806)**	–
Dividends paid to non-controlling interests		**(56,949)**	(34,390)
Net cash (used in)/generated from financing activities		**(1,079,384)**	59,428
Net (decrease)/increase in cash and cash equivalents		**(254,806)**	524,853
Cash and cash equivalents at 1 January		**3,860,442**	3,339,010
Effect of foreign exchange rate changes		**(9,147)**	(3,421)
Cash and cash equivalents at 31 December	*17*	**3,596,489**	3,860,442

1. MATERIAL ACCOUNTING POLICY INFORMATION

(a) Statement of compliance

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

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

(b) Basis of preparation

The Company and other investment holding subsidiaries incorporated in the Cayman Islands, the British Virgin Islands (the "BVI") and Hong Kong have their functional currency in Hong Kong dollars ("HK$") and subsidiaries established in the People's Republic of China (the "PRC") have their functional currency in Renminbi ("RMB"). As the Group mainly operates in the PRC, RMB is used as the presentation currency of the Group's consolidated financial statements. All financial information presented is rounded to the nearest thousand except otherwise stated. The measurement basis used in the preparation of the consolidated financial statements is the historical costs basis except for equity investments designated as at fair value through other comprehensive income ("FVOCI") as explained in Notes 1(e), 14 and 25(g)(i).

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Change in accounting policies

The significant account policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2023 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2022, except for the adoption of the amendments to HKFRSs as explained in below.

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and related amendments
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except for the below, the application of the above new or amendments to HKFRSs has had no material impact on the Group's financial performance and position for the current and prior periods and/or the disclosures set out in theses consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(c) Change in accounting policies (Continued)

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (Continued)

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in this Note 2 to the consolidated financial statements. In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

The Group has not adopted any new or amendments to HKFRSs that is not yet effective for the year (Note 31).

(d) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2023 comprise 361 Degrees International Limited (the "Company") and its subsidiaries (together referred to as the "Group").

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(d) Basis of consolidation (Continued)

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

Business combination

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(e) Other investments in equity securities

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

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25(g)(i).

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

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

(f) Property, plant and equipment

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(f) Property, plant and equipment (continued)

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

— Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion

— Plant and machinery 5–10 years

— Office equipment and other fixed assets 2–10 years

— Motor vehicles 5 years

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

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

(g) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

(i) Credit losses from financial instruments (Continued)

Measurement of ECLs

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

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

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

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

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

(i) Credit losses from financial instruments (Continued)

Significant increases in credit risk

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

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

(i) Credit losses from financial instruments (Continued)

Credit-impaired financial assets

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

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(h) Inventories

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

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

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

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

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

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

(i) Contract liabilities

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(j) Trade and other receivables

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

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

(k) Cash and cash equivalents

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

(l) Trade and other payables

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

(m) Bank loans and interest-bearing borrowings

Bank loans and interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, bank loans and interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(t)).

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(n) Provisions and contingent liabilities

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

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

(o) Leases when the Group is a lessee

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Lease liabilities (Continued)

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

— fixed payments (including in-substance fixed payments), less any lease incentives receivable;

— variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

— amounts expected to be payable by the Group under residual value guarantees;

— the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

— payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

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

Lease modifications

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

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

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

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

(p) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(i) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Income tax (Continued)

(ii) in respect of taxable temporary differences associated with investments in subsidiaries, associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(i) When the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and at the time of the transaction does not give rise to equal taxable and deductible temporary differences; and

(ii) in respect of deductible temporary differences associated with investments in subsidiaries, associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

In respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(p) Income tax (Continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities,the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

(q) Expenditures on research and development cost and advertising

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

(r) Revenue and other income

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

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Revenue and other income (Continued)

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

(i) Sale of goods – distributor

The Group manufactures and sells sports goods to distributors. Sales are recognised when control of the products has transferred, being when the products are delivered to the distributors, the distributors has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the distributors's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the distributors, and either the distributors has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term of 30 days to 180 days for the remaining balance based on the invoice date, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sale of goods – e-commerce

For e-commerce business, the control of the sporting goods is transferred when the sporting goods are delivered to and accepted by the customers. Consideration is usually settled by credit cards, debit cards or through on-line payment platforms.

(iii) Interest income

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

(iv) Commission income

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

(v) Dividends

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(r) Revenue and other income (Continued)

Consideration payable to a customer

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

— the Group recognises revenue for the transfer of the related goods or services to the customer; and

— the Group pays or promises to pay the consideration (even if the payment is conditional on a future event).

(s) Translation of foreign currencies

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

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

Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of monetary items forming part of the Group entities' net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the exchange reserve on consolidation.

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(t) Borrowing costs

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

(u) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

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

(v) Share-based payments

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

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

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(v) Share-based payments (Continued)

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

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

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

(w) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

1. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

(w) Related parties (Continued)

(b) (Continued)

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

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

(x) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

(y) Segment reporting

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

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

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

2. ACCOUNTING JUDGEMENT AND ESTIMATES

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

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

The directors have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

In the process of applying the Group's accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

(i) Useful lives of property, plant and equipment

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

(ii) Impairment losses on financial assets

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

2. ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

(iii) Net realisable value of inventories

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

(iv) Income tax

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

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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. Revenue of the Group mainly comprises sales of footwear, apparel and accessories through its network of distributors. For the year ended 31 December 2023, such revenue of the Group amounted to approximately RMB6,421,228,000 (2022: RMB5,161,340,000).

3. REVENUE AND SEGMENT REPORTING (Continued)

(a) Revenue (Continued)

Disaggregation of revenue

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

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Footwear	4,445,143	3,508,768
— Apparel	3,675,829	3,211,143
— Accessories	170,771	119,091
— Others	131,514	121,824
	8,423,257	6,960,826

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

During the year ended 31 December 2023, the Group's customer base is diversified and had no customer with whom transactions have exceeded 10% of the Group's revenue (2022: Nil). Details of concentrations of credit risk arising from these customers are set out in Note 25(a).

(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.

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

(i) Segment results

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

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

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

	Adults		Kids		Total	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Disaggregated by timing of revenue recognition						
Point in time	**6,465,748**	5,518,625	**1,957,509**	1,442,201	**8,423,257**	6,960,826
Revenue from external customers	**6,465,748**	5,518,625	**1,957,509**	1,442,201	**8,423,257**	6,960,826
Inter-segment revenue	**51,494**	29,610	**-**	–	**51,494**	29,610
Reportable segment revenue	**6,517,242**	5,548,235	**1,957,509**	1,442,201	**8,474,751**	6,990,436
Cost of sales	**(3,867,617)**	(3,317,727)	**(1,138,798)**	(851,989)	**(5,006,415)**	(4,169,716)
Reportable segment profit (gross profit)	**2,649,625**	2,230,508	**818,711**	590,212	**3,468,336**	2,820,720

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	2023 RMB'000	2022 RMB'000
Revenue		
Reportable segment revenue	8,474,751	6,990,436
Elimination of inter-segment revenue	(51,494)	(29,610)
Consolidated revenue *(Note 3(a))*	8,423,257	6,960,826
Profit before income tax		
Reportable segment profit	3,468,336	2,820,720
Elimination of inter-segment profits	(6,181)	(72)
Reportable segment profit derived from the Group's external customers	3,462,155	2,820,648
Other revenue	384,976	414,947
Other net loss	(15,778)	(20,391)
Selling and distribution expenses	(1,862,988)	(1,433,251)
Administrative expenses	(630,028)	(541,391)
(Reversal of)/provision for credit loss on trade receivables	45,212	(166,417)
Finance costs	(20,159)	(9,409)
Profit before income tax	1,363,390	1,064,736

4. OTHER REVENUE AND OTHER NET LOSS

	2023 RMB'000	2022 RMB'000
Other revenue		
Interest income on financial assets measured at amortised cost	**83,571**	82,922
Government subsidies *(Note (a))*	**206,199**	208,288
Commission income *(Note (b))*	**59,726**	82,383
Others	**35,480**	41,354
	384,976	414,947
Other net loss		
Net loss on disposal of property, plant and equipment	**(1,531)**	(6,814)
Net foreign exchange loss	**(14,247)**	(13,577)
	(15,778)	(20,391)

Notes:

(a) Government subsidies were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

(b) Commission income represented the service income by providing e-commerce platforms for the Group's distributors, which is calculated at certain percentage of the online sales amount.

5. PROFIT BEFORE INCOME TAX

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

	2023 RMB'000	2022 RMB'000
(a) Finance costs		
Interest on lease liabilities *(Note 19)*	321	28
Interest on bank loans	19,838	9,381
Total interest expense on financial liabilities not carried at fair value through profit or loss	20,159	9,409
(b) Staff costs (including directors' emoluments *(Note 7)***)** @		
Contributions to defined contribution retirement plans	44,562	34,495
Equity settled share-based payment *(Note 30)*	-	33,226
Salaries, wages and other benefits	734,376	613,445
	778,938	681,166
(c) Other items		
Auditor's remuneration		
— audit services	2,828	2,872
— non-audit services	272	237
Depreciation of property, plant and equipment *(Note 11)* ***	69,456	65,475
Depreciation of right-of-use assets *(Note 12)* **	5,899	3,103
Equity settled share-based payment *(Note 30)*		
— staff cost *(Note 5(b))*	-	33,226
— sales incentives to customers (reduction of revenue)	-	28,637
Reversal of provision/(provision for) for impairment of inventories *(Note15(b))*, included in cost of inventories	5,893	(3,417)
Expense relating to short-term leases *(Note 12)*	8,944	4,069
Advertising and promotional expenses	1,071,968	791,570
E-commerce platform service expenses	212,669	158,659
Research and development costs *	313,358	265,794
Cost of inventories	4,274,925	4,140,178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. PROFIT BEFORE INCOME TAX (Continued)

Notes:

* Research and development costs include the materials cost of approximately RMB147,632,000 (2022: RMB122,679,000) and staff costs of employees in the research and development department as disclosed in Note 5(b). Research and development costs included in administrative expenses in the consolidated statement of profit or loss.

** Depreciation of right-of-use assets of approximately RMB671,000 (2022: RMB671,000) and RMB5,228,000 (2022: RMB2,432,000) are charged to selling and distribution expense, administrative expenses, respectively for the year ended 31 December 2023.

*** Depreciation of property, plant and equipment of approximately RMB9,955,000 (2022: RMB8,886,000), RMB4,334,000 (2022: RMB3,382,000), RMB6,299,000 (2022: RMB4,545,000) and RMB48,868,000 (2022: RMB48,662,000) are charged to cost of sales, selling and distribution expense, research and development and administrative expenses, respectively for the year ended 31 December 2023.

@ Staff costs of approximately RMB367,504,000 (2022: RMB301,053,000), RMB146,995,000 (2022: RMB132,440,000), RMB124,463,000 (2022: RMB105,448,000) and RMB139,976,000 (2022: RMB142,225,000) are charged to cost of sales, selling and distribution expense, research and development and administrative expenses, respectively for the year ended 31 December 2023.

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

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

	2023 RMB'000	2022 RMB'000
Current tax – PRC		
Enterprise Income Tax	327,069	303,416
Withholding tax	13,000	–
	340,069	303,416
Deferred tax		
Origination and reversal of temporary differences *(Note 22)*	(16,814)	(55,460)
	(16,814)	(55,460)
	323,255	247,956

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI (2022: nil).

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

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

No provision for Hong Kong profits tax has been made as the Group has tax losses brought forward which are available for off-set against the estimated assessable profits for the year(2022: nil).

No provision has been made for Profits Tax in Brazil, USA and the Netherlands as the Group did not have any assessable profits subject to Profits Tax in Hong Kong, Brazil, USA and Netherlands during the year (2022: nil).

All PRC subsidiaries are subject to income tax at 25% (2022: 25%) for the year under the Enterprise Income Tax law ("EIT law"), except for one of the subsidiaries of the Company operating in the PRC which was approved to be high and new technology enterprises ("HNTE"). HNTE is entitled to enjoy a reduced enterprise income tax rate of 15% and additional 75% tax reduction based on the eligible research and development expenses with a validity period of three years from 30 November 2018 to 29 November 2022 and the validity period has been extended from 30 November 2022 to 29 November 2024.

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

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

	2023 RMB'000	2022 RMB'000
Profit before income tax	**1,363,390**	1,064,736
Notional tax on profit before income tax, calculated at the rates applicable to profits in the jurisdictions concerned	**307,846**	254,229
Tax effect of non-deductible expenses	**3,727**	3,311
Tax effect of non-taxable income	**-**	(670)
Utilisation of unused tax losses not recognised	**(1,318)**	(8,914)
Withholding tax on dividends	**13,000**	–
Income tax expense	**323,255**	247,956

7. DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2023				
Executive directors				
Ding Wuhao	**-**	**1,388**	**16**	**1,404**
Ding Huihuang	**-**	**1,182**	**16**	**1,198**
Ding Huirong	**-**	**1,124**	**16**	**1,140**
Wang Jiabi	**-**	**588**	**-**	**588**
Independent non-executive directors				
Hon Ping Cho Terence	**381**	**-**	**-**	**381**
Chen Chuang	**381**	**-**	**-**	**381**
Wu Ming Wai Louie	**508**	**-**	**-**	**508**
	1,270	**4,282**	**48**	**5,600**
For the year ended 31 December 2022				
Executive directors				
Ding Wuhao	–	1,401	16	1,417
Ding Huihuang	–	1,137	16	1,153
Ding Huirong	–	1,138	16	1,154
Wang Jiabi	–	589	10	599
Independent non-executive directors				
Hon Ping Cho Terence	362	–	–	362
Chen Chuang	362	–	–	362
Wu Ming Wai Louie	483	–	–	483
	1,207	4,265	58	5,530

7. DIRECTORS' EMOLUMENTS (Continued)

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

No emolument was paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2022: nil). No arrangement under which directors of the Company waived or agreed to waive any emoluments during the year (2022: nil).

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

No directors of the Company are the five individuals with the highest emoluments (2022: one). The emoluments payable to the five (2022: four) individuals during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other emoluments	**9,032**	7,469
Equity settled share-based payments	**-**	4,381
Bonus	**1,629**	1,463
Retirement scheme contributions	**63**	53
	10,724	13,366

The emoluments of the five (2022: four) individuals with the highest emoluments are within the following bands:

	2023 **Number of individuals**	2022 Number of individuals
HK$1,500,001 to HK$2,000,000	**2**	1
HK$2,500,001 to HK$3,000,000	**3**	2
HK$3,000,001 to HK$3,500,000	**-**	1

No emolument was paid or payable by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2022: nil).

9. OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income:

	2023			2022		
	Before-tax amount RMB'000	**Tax credit RMB'000 *(Note 22)***	**Net-of-tax amount RMB'000**	Before-tax amount RMB'000	Tax charge RMB'000 *(Note 22)*	Net-of-tax amount RMB'000
Equity investments designated at FVOCI (non-recycling) — net movement in fair value reserve	**(12,736)**	**1,910**	**(10,826)**	6,219	(932)	5,287
Exchange differences on translation of financial statements	**4,538**	**-**	**4,538**	12,498	–	12,498
Other comprehensive income	**(8,198)**	**1,910**	**(6,288)**	18,717	(932)	17,785

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of approximately RMB961,427,000 (2022: RMB747,117,000) and the weighted average of 2,067,675,000 (2022: 2,067,602,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2023, diluted earnings per share is the same as basic earnings per share as the Company did not have dilutive potential shares outstanding during the year.

For the year ended 31 December 2022, diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential shares comprise shares to be issued under share option scheme. In relation to shares to be issued under share option scheme (Note 30), a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

For the year ended 31 December 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.

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

	Buildings situated on leasehold land classified as right-of-use assets RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2022	1,212,254	268,103	239,247	35,652	29,800	1,785,056
Exchange realignment	3,235	–	906	–	–	4,141
Additions	4	20,527	329	1,384	–	22,244
Disposals	–	(56,440)	(6,557)	–	–	(62,997)
At 31 December 2022	1,215,493	232,190	233,925	37,036	29,800	1,748,444
Accumulated depreciation and amortisation:						
At 1 January 2022	529,363	203,671	199,444	30,031	–	962,509
Exchange realignment	745	–	188	–	–	933
Charge for the year *(Note 5(c))*	50,922	8,704	5,190	659	–	65,475
Written back on disposals	–	(48,332)	(4,726)	–	–	(53,058)
At 31 December 2022	581,030	164,043	200,096	30,690	–	975,859
Net book value:						
At 31 December 2022	634,463	68,147	33,829	6,346	29,800	772,585

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

	Buildings situated on leasehold land classified as right of-use assets RMB'000	Plant and machinery RMB'000	Office equipment and other fixed assets RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2023	1,215,493	232,190	233,925	37,036	29,800	1,748,444
Exchange realignment	1,455	-	32	-	-	1,487
Additions	180	57,206	-	91	6,879	64,356
Transfer	-	-	29,800	-	(29,800)	-
Disposals	-	(23,715)	(969)	(80)	-	(24,764)
At 31 December 2023	1,217,128	265,681	262,788	37,047	6,879	1,789,523
Accumulated depreciation and amortisation:						
At 1 January 2023	581,030	164,043	200,096	30,690	-	975,859
Exchange realignment	50	-	314	-	-	364
Charge for the year *(Note 5(c))*	56,983	11,120	859	494	-	69,456
Written back on disposals	-	(21,196)	(64)	(72)	-	(21,332)
At 31 December 2023	638,063	153,967	201,205	31,112	-	1,024,347
Net book value:						
At 31 December 2023	579,065	111,714	61,583	5,935	6,879	765,176

As at 31 December 2023, a building located in Hong Kong with net book value of approximately RMB40,182,000 (2022: RMB40,065,000) was pledged as security for the Group's banking facility for issuing bills payable and bank borrowings (Note 20(b)).

12. RIGHT-OF-USE ASSETS

	Buildings RMB'000	Interests in leasehold land held for own use RMB'000	Total RMB'000
Cost:			
At 1 January 2022	7,043	113,327	120,370
Exchange realignment	(117)	–	(117)
Additions	–	–	–
Termination of lease	(5,996)	–	(5,996)
At 31 December 2022 and 1 January 2023	930	113,327	114,257
Exchange realignment	**26**	**–**	**26**
Additions	**5,564**	**–**	**5,564**
At 31 December 2023	**6,520**	**113,327**	**119,847**
Accumulated depreciation:			
At 1 January 2022	6,129	8,979	15,108
Exchange realignment	(8)	–	(8)
Charge for the year *(Note 5(c))*	279	2,824	3,103
Written back on termination of lease	(5,996)	–	(5,996)
At 31 December 2022 and 1 January 2023	404	11,803	12,207
Exchange realignment	**11**	**–**	**11**
Charge for the year *(Note 5(c))*	**3,076**	**2,823**	**5,899**
At 31 December 2023	**3,491**	**14,626**	**18,117**
Net book value:			
At 31 December 2023	**3,029**	**98,701**	**101,730**
At 31 December 2022	526	101,524	102,050

12. RIGHT-OF-USE ASSETS (Continued)

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

	2023 RMB'000	2022 RMB'000
Depreciation expense of right-of-use assets (as above) *(Note 5(c))*	**5,899**	3,103
Interest on lease liabilities *(Note 19)*	**321**	28
Expense relating to short-term leases *(Note 5(c))*	**8,944**	4,069
Total amount recognised in the consolidated profit or loss	**15,164**	7,200

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 19 and 25(b), respectively.

Ownership interests in leasehold land held for own use

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

Other properties leased for own use

The Group has obtained the right to use other properties as its office through tenancy agreements. The leases typically run for an initial period of one to three years (2022: one to three years). Lease payments are usually increased every year to reflect market rentals. None of the leases include contingent rental.

13. INVESTMENTS IN SUBSIDIARIES

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

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Sanliuyidu Holdings Company Limited	BVI	100 shares of United States dollar ("US$") 1 each	100% (2022: 100%)	100% (2022: 100%)	–	Investment holding
361 Enterprise Company Limited	Hong Kong	1 share	100% (2022: 100%)	–	100% (2022: 100%)	Investment holding
361 Investment Company Limited	Hong Kong	1 share	100% (2022: 100%)	–	100% (2022: 100%)	Investment holding
361 Degrees (Hong Kong) Investment Limited	Hong Kong	1 share	87% (2022: 87%)	–	100% (2022: 100%)	Investment holding
Sanliuyidu (Fujian) Sports Goods Co., Ltd. 三六一度(福建)體育用品有限公司 *(Notes (i) and (iv))*	PRC	HK$280,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Manufacture and trading of sporting goods
Sanliuyidu (China) Co., Ltd. ("Sanliuyidu (China)") 三六一度(中國)有限公司 *(Notes (i) and (iv))*	PRC	HK$1,068,359,692	100% (2022: 100%)	–	100% (2022: 100%)	Manufacture and trading of sporting goods
Sanliuyidu Xiamen Industry & Trade Co., Limited 三六一度(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB100,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
Sanliuyidu (Fujian) Shoes and Plastics Technology Co., Ltd. 三六一度(福建)鞋塑科技有限公司 *(Notes (iii) and (iv))*	PRC	HK$120,000,000	51% (2022: 51%)	–	51% (2022: 51%)	Manufacture and trading of shoes soles
361 Degrees Children's Clothing Co., Ltd. 三六一度童裝有限公司 *(Notes (i) and (iv))*	PRC	HK$80,000,000	87% (2022: 87%)	–	100% (2022: 100%)	Trading of children sporting goods

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Yue Lei International Limited 宇彌國際有限公司	Hong Kong	100,000 shares	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
361 Degrees Kids Wear Holdings Limited	BVI	1 share of US$1	100% (2022: 100%)	–	100% (2022: 100%)	Investment holding
361 Degrees Kids Wear Limited	Cayman Islands	1,000,000 shares of HK$0.01 each	87%	–	87%	Investment holding
Quanzhou 361 Degrees Investment Company Limited ("Quanzhou 361")* 泉州三六一度投資有限公司	PRC	RMB250,000,000 (2022: RMB99,000,000)	20% (2022: 50.5%)	–	20% (2022: 50.5%)	Investment holding
Wangwei (Xiamen) Industry & Trade Co., Limited 望唯(廈門)工貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	70% (2022: 70%)	–	100% (2022: 100%)	Trading of sporting goods
361 USA, Inc	United States	US$19	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
Yue Lei do Brasil Comércio, Importação e Exportação de Artigos Esportivos Ltda	Brazil	62,310,627 shares of Brazilian Real 1 each	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
Quanzhou Jinjiang Jiangtou Minhai Gas Station Ltd. 泉州晉江江頭閩海加油站有限公司 *(Notes (ii) and (iv))*	PRC	RMB25,100,000	51% (2022: 51%)	–	51% (2022: 51%)	Operating of gas station
Duoyidu (Quanzhou) E-commerce Co., Ltd. ("Duoyidu") 多一度(泉州)電子商務有限公司 *(Notes (ii), (iv) and (v))*	PRC	RMB54,676,829	98.91% (2022: 69.25%) *(Note (v))*	–	87% (2022: 85%)	Distribution and sales of the Group's *361°* products via the e-commerce platform

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
361° Europe Holding B.V.	Netherlands	Euro 100	100% (2022: 100%)	-	100% (2022: 100%)	Investment holding
361° Europe B.V.	Netherlands	Euro 100	100% (2022: 100%)	-	100% (2022: 100%)	Trading of sporting goods
Sanliuyidu (Xiamen) Investment Management Consulting Co., Ltd. 三六一度(廈門)投資管理諮詢有限公司 *(Notes (ii) and (iv))*	PRC	RMB1,000,000	100% (2022: 100%)	-	100% (2022: 100%)	Investment holding
Quanzhou Shenghong Trading Co., Ltd. 泉州市晟鴻商貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB1,000,000	100% (2022: 100%)	-	100% (2022: 100%)	Trading of sporting goods
Zhuji 361 Degrees Children's Wear Co. Limited ("Zhuji 361 Degrees") 諸暨市三六一度童裝有限公司 *(Notes (ii) ,(iv) and (vi))*	PRC	HK$134,737,000	74% (2022: 74%) *(Note (vii))*	-	85% (2022: 85%)	Trading of children sporting goods
Quanzhou Xingtong Trading Co., Ltd ("Quanzhou Xingtong") 泉州興桐商貿有限公司 *(Notes (ii), (iv) and (v))*	PRC	RMB1,000,000	98.91% (2022: 69.25%)	-	100% (2022: 100%)	Trading of sporting goods
Jinjiang Sanliuyi Equity Investment Partnership (Limited Partnership) (Formerly known as "Jinjiang Jinfa No.1 Equity Investment Partnership (Limited Partnership)) 晉江市三六一度股權投資合夥企業(有限合夥) (曾用名"晉江市晉發一號股權投資合夥企業(有限合夥)") ("Partnership") *(Notes (ii), (iv) and (v))*	PRC	RMB1,100,000,000	100% (2022: 50.01%) *(Note (v))*	-	100% (2022: 50.01%)	Investment holding

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activity
Quanzhou Shuodong Trading Co., Ltd 泉州爍動商貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
Quanzhou Yiqi aidong Trading Co., Ltd 泉州逸啟愛動商貿有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
361 (Hainan) Health Technology Co., Ltd 三六一度(海南)健康科技有限公司 *(Notes (ii) and (iv))*	PRC	RMB20,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Science and technology promotion and application service
361 (Hainan) Supply Chain Technology Co., Ltd 三六一度(海南)供應鏈科技有限公司 *(Notes (ii) and (iv))*	PRC	HK$20,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Trading of sporting goods
Sanliudu (Xiamen) Sports Technology Co., Ltd 三六一度(廈門)體育科技有限公司 *(Notes (ii) and (iv))*	PRC	RMB50,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Research and development of sporting goods
Sanliudu (Sichuan) Shoes Co., Ltd 三六一度(四川)鞋業有限公司 *(Notes (ii) and (iv))*	PRC	RMB50,000,000	100% (2022: 100%)	–	100% (2022: 100%)	Manufacture and trading of sporting goods
361 Sports Development Limited	Hong Kong	1 share	100% (2022: N/A)	–	100% (2022: N/A)	Investment holding
361 Digital Development Limited	Hong Kong	1 share	100% (2022: N/A)	–	100% (2022: N/A)	Investment holding
361 Degrees Kids Wear Development Limited	Hong Kong	1 share	100% (2022: N/A)	–	100% (2022: N/A)	Investment holding

13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place of establishment/ incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by a subsidiary	
Duoyidu Love (Quanzhou) Children's Clothing Co., Ltd 多一度熱愛(泉州)童裝有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	100% (2022: N/A)	-	100% (2022: N/A)	Manufacture and trading of sporting goods
Duoyidu Love (Quanzhou) Technology Co., Ltd 多一度熱愛(泉州)科技有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	100% (2022: N/A)	-	100% (2022: N/A)	Research and development of sporting goods
Duoyidu Love (Quanzhou) Sports Development Co., Ltd 多一度熱愛(泉州)體育發展有限公司 *(Notes (ii) and (iv))*	PRC	RMB5,000,000	100% (2022: N/A)	-	100% (2022: N/A)	Organization of sports competition
361 Degrees Kids Wear Investment Limited	BVI	1 share of US$1	87% (2022: 87%)	-	100% (2022: 100%)	Investment holding
One Way International Enterprise Limited 萬唯國際實業有限公司	Hong Kong	10,000 shares	70% (2022: 70%)	-	70% (2022: 70%)	Investment holding
Zhonglan Sports Goods Co., Ltd. 中蘭體育用品有限公司 *(Notes (i) and (iv))*	PRC	RMB49,910,463	70% (2022: 70%)	-	100% (2022: 100%)	Investment holding

* The Group does not retain any beneficial interest in this entity as of 31 December 2023, according to the shareholders' agreement entered into between the Group and other shareholders of this entity. All registered share capital was subsequently transferred to other shareholders on 2 February 2024.

Notes:

(i) These entities are wholly foreign owned enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The entity is a sino-foreign equity joint venture enterprise registered in the PRC.

(iv) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

(v) The Group's interest in Duoyidu was held through the Partnership. On 24 April 2023, the Group acquire 49.99% of equity interest of the Partnership at a consideration of approximately RMB549,890,000. The Partnership became a wholly owned subsidiary of the Group, and the effective equity interest in Duoyidu and Quanzhou Xingtong held by the Group increased from 69.25% to 87.17%. Difference of RMB167,732,000 between the net assets shared by the non-controlling interests and the total consideration paid was treated as an equity movement and recorded in "Other reserves".

On 26 September 2023, the Group and an independent third party entered into a capital increase agreement, in respect of which the registered capital of Duoyidu is increased from RMB4,677,000 to RMB54,677,000 and fully contributed by the Group. After the additional capital contribution of RMB50,000,000, the Group's interest in Duoyidu increase from 87.17% to 98.91%. Difference of RMB137,483,000 between the net assets shared by the non-controlling interests and the total consideration paid was treated as an equity movement and recorded in "Other reserves".

(vi) On 6 November 2023, the Group and an independent third party entered into an equity transfer agreement, pursuant to which the Group agreed to acquire approximately 14.93% of equity interest of Zhuji 361 Degrees, the consideration for the acquisition is approximately RMB500,000,000.Upon completion of the transaction, the effective equity interest held by the Group will increase from 74% to 87%. The Group paid RMB350,000,000 during the year ended 31 December 2023. As at 31 December 2023, the Group has consideration of RMB150,000,000 which is to be settled subsequent to the reporting date. Upon completion of the transaction, difference of RMB269,110,000 between the net assets shared by the non-controlling interests and the total consideration paid was treated as an equity movement and recorded in "Other reserves".

14. OTHER FINANCIAL ASSET

	2023 RMB'000	2022 RMB'000
Equity securities designated at FVOCI (non-recycling)		
— Unlisted equity securities	**20,212**	32,948

The unlisted equity securities represent equity interest of 6.7% (2022: 6.7%) in Jinjiang Merchant Investment Co., Ltd, a company incorporated in the PRC and engaged in property development. The Group designated its investment in Jinjiang Merchant Investment Co., Ltd at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends income was recognised on this investment during the year (2022: nil).

15. INVENTORIES

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

	2023 RMB'000	2022 RMB'000
Raw materials	**61,639**	60,072
Work in progress	**33,789**	59,884
Finished goods	**1,254,916**	1,062,499
	1,350,344	1,182,455

(b) The cost of inventories recognised as expenses and included in cost of sales amounted to RMB4,274,925,000 for the year ended 31 December 2023 (2022: RMB4,140,163,000), which included inventory provision of RMB5,893,000 (2022: reversal of inventory provision of RMB3,417,000).

16. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables		4,038,146	3,253,117
Less: allowance for expected credit loss		(253,622)	(298,834)
Trade receivables, net of loss allowance	(a)	3,784,524	2,954,283
Bills receivable	(a)	46,860	69,610
Deposits, prepayments and other receivables			
Current			
Deposits		1,146	631
Prepayments	(b)	1,150,970	1,103,040
Other receivables	(c)	74,584	89,165
		1,226,700	1,192,836
Non-current			
Deposits and prepayments	(d)	397,108	93,476

Notes:

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

	2023 RMB'000	2022 RMB'000
Within 90 days	2,272,722	2,136,041
Over 90 days but within 180 days	1,054,799	673,526
Over 180 days but within 360 days	503,863	214,326
	3,831,384	3,023,893

Trade and bills receivables are due within 30 to 180 days (2022: 30 to 180 days) from the date of billing. Further details on the Group's credit policy and the movement in the ECL allowance for trade receivables are set out in Note 25(a).

Bills receivable represented certain bank acceptance bills not endorsed as at 31 December 2023. The directors of the Company considered the expected credit loss for these bills is immaterial in view of no history of default and good repayment history of these customers. As at 31 December 2023, the Group endorsed certain bank acceptance bills totaling RMB236,190,000 (2022: RMB129,510,000) to suppliers for settling trade payables of the same amount on a full recourse basis. The Group has derecognised these bills receivable and trade payables. These derecognised bank acceptance bills had a maturity date of less than six months from the reporting date. In the opinion of the directors of the Company, after considering the advice of a PRC legal adviser, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers, and the Group has limited exposure in respect of the settlement obligation of these bills receivable under the relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

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

Notes: (Continued)

(b) Prepayments mainly represent advanced payments to suppliers and advertisers of RMB931,230,787 and RMB84,903,663 respectively (2022: RMB895,389,000 and RMB56,148,000).

(c) Other receivables mainly include the interest receivables from bank deposits of approximately RMB9,669,000 (2022: RMB25,744,000), other receivables relating to trade fairs and e-commerce platforms of approximately RMB23,369,000 (2022: RMB18,134,000) and other tax recoverable of approximately RMB7,455,000 (2022: RMB12,585,000).

(d) Non-current portion of deposits and prepayments mainly represent the consideration paid for the acquisition of non-controlling interests of approximately RMB350,000,000 (2022: Nil) and the initial deposits paid to local government authorities for acquisition of land use rights for development of approximately RMB35,337,000 (2022: RMB75,479,000).

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

17. CASH AND CASH EQUIVALENTS, BANK DEPOSITS AND OTHER CASH FLOW INFORMATION

	2023 **RMB'000**	2022 RMB'000
Pledged bank deposits	**12,415**	24,138
Deposits with banks		
— More than three months to maturity when placed	**1,600,000**	2,000,000
Cash and cash equivalents	**3,596,489**	3,860,442
	5,208,904	5,884,580

As at 31 December 2023 and 2022, pledged bank deposits comprised performance guarantee deposits of approximately RMB12,415,000 (2022: RMB5,250,000) for certain business partners of the Group, which have been placed in designated bank accounts. In the event that the Group does not meet its contractual obligations under the agreements signed with these business partners, the deposits can be withdrawn without consent of the Group. Such performance guarantee deposit will be released upon the expiry of the agreements that was entered into with respective business partners.

Details of interest rate are set out in Note 25(c)(i).

At 31 December 2023, balances placed with banks or on hand in the PRC were amounted to approximately RMB5,188,556,000 (2022: RMB5,848,032,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

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

Reconciliation of liabilities arising from financing activities

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

	Lease liabilities RMB'000 *(Note 19)*	Amount due to non-controlling interests RMB'000 *(Note 27(a))*	Bank loans RMB'000 *(Note 20)*	Total RMB'000
At 1 January 2022	1,035	11,436	207,837	220,308
Changes from financing cash flows:				
Advance made by non-controlling interests	–	19,870	–	19,870
Principal capital element of lease rentals paid	(348)	–	–	(348)
Interest element of lease rentals paid	(28)	–	–	(28)
Proceeds from bank loans	–	–	265,000	265,000
Repayment of bank loans	–	–	(181,295)	(181,295)
Interest paid	–	–	(9,381)	(9,381)
Total changes from financing cash flows	(376)	19,870	74,324	93,818
Exchange realignment	(115)	–	740	625
Other changes:				
Interest expense *(Note 5(a))*	28	–	9,381	9,409
Cancellation of management fee	–	(11,436)	–	(11,436)
Total other changes	28	(11,436)	9,381	(2,027)
At 31 December 2022	572	19,870	292,282	312,724

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

	Lease liabilities RMB'000 *(Note 19)*	Amount due to non-controlling interests RMB'000 *(Note 27(a))*	Bank loans RMB'000 *(Note 20)*	Total RMB'000
At 1 January 2023	572	19,870	292,282	312,724
Changes from financing cash flows:				
Advance made by non-controlling interests	-	22,336	-	22,336
Transfer of creditor's right related to land use right	-	(40,142)	-	(40,142)
Principal capital element of lease rentals paid	(3,334)	-	-	(3,334)
Interest element of lease rentals paid	(321)	-	-	(321)
Proceeds from bank loans	-	-	400,000	400,000
Repayment of bank loans	-	-	(399,871)	(399,871)
Interest paid	-	-	(19,838)	(19,838)
Total changes from financing cash flows	(3,655)	(17,806)	(19,709)	(41,170)
Exchange realignment	16	-	80	96
Other changes:				
Addition of lease liabilities	5,564	-	-	5,564
Interest expense *(Note 5(a))*	321	-	19,838	20,159
Total other changes	5,885	-	19,838	25,723
At 31 December 2023	2,818	2,064	292,491	297,373

18. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade creditors	1,499,336	1,439,864
Bills payable *(Note 20)*	-	62,800
	1,499,336	1,502,664
Contract liabilities	168,730	60,050
Other payables and accruals	907,151	744,211
Amount due to non-controlling interest	2,064	19,870
	2,577,281	2,326,795

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

	2023 RMB'000	2022 RMB'000
Within 1 month	245,842	301,936
After 1 month but within 3 months	413,922	414,485
After 3 months but within 6 months	839,572	786,243
	1,499,336	1,502,664

18. TRADE AND OTHER PAYABLES (Continued)

Contract liabilities represent receipt in advance from customers. Movement of contract liabilities is as follows:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**60,050**	142,653
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(60,050)**	(142,653)
Increase in contract liabilities as a result of receiving forward sales deposits and instalments during the year	**168,730**	60,050
Balance at 31 December	**168,730**	60,050

Other payables and accruals mainly included (a) the accrued advertising expenses of approximately RMB294,321,000 (2022: RMB253,263,000); (b) the accrued employee compensation of approximately RMB97,653,000 (2022: RMB103,028,000); (c) the other payables relating to shelf allowance, trade fairs, and e-commerce platforms of approximately RMB109,667,000 (2022: RMB123,949,000); (d) the other payables relating to decoration of approximately RMB45,376,000 (2022: RMB48,274,000); and (e) other tax payables of approximately RMB245,596,000 (2022: RMB122,080,000).

19. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
At 1 January	**572**	1,035
Addition	**5,564**	–
Payment of principal and interest	**(3,655)**	(376)
Interest expenses *(Note 5(a))*	**321**	28
Exchange realignment	**16**	(115)
Balance at 31 December	**2,818**	572
Current	**1,524**	303
Non-current	**1,294**	269
	2,818	572

19. LEASE LIABILITIES (Continued)

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

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,524**	**1,600**	303	321
After 1 year but within 2 years	**1,294**	**1,321**	269	273
	1,293	**2,921**	269	273
	2,818		572	594
Less: total future interest expenses		**(103)**		(22)
Present value of lease liabilities		**2,818**		572

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

	2023 RMB'000	2022 RMB'000
Within operating cash flows	**8,944**	4,069
Within financing cash flows *(Note 17)*	**3,655**	376
	12,599	4,445

20. BANK LOANS

	2023 RMB'000	2022 RMB'000
Secured bank loan *(Note (b))*	**5,991**	7,282
Unsecured bank loans *(Note (c))*	**286,500**	285,000
	292,491	292,282
Less: Amounts shown under non-current liabilities	**244,500**	100,000
Amounts shown under current liabilities	**47,991**	192,282

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

	2023 RMB'000	2022 RMB'000
Facilities amount	**2,493,714**	1,168,056
Utilisation at the end of the reporting period		
— Bills payable *(Note 18)*	**-**	62,800
— Bank loans	**292,491**	292,282
	292,491	355,082

20. BANK LOANS (Continued)

Notes:

(a) As at 31 December 2023, bills payable of the Group secured by pledged bank deposits is nil (2022: RMB18,888,000) (Note 18) and guaranteed by certain subsidiaries of the Company (2022: same).

(b) As at 31 December 2023, secured bank loan of the Group was variable rate loan with principal amount of HK$6,574,000 (equivalent to approximately RMB5,991,000) (2022: HK$8,213,000 (equivalent to approximately RMB7,282,000)) which carried annual interests of HK prime rate. The effective interest rate of the secured bank loan was 3.221% (2022: 3.095%) per annum.

Such loan was secured by a property as disclosed in Note 11.

Analysis of the amounts due based on scheduled payment dates set out in the loan agreements (ignoring the effect of any repayment on demand clause) is as follows:

	2023 RMB'000	2022 RMB'000
2–5 years	**5,991**	7,282

(c) As at 31 December 2023, unsecured bank loans of the Group were also guaranteed by certain subsidiaries of the Company (2022: same).

All the unsecured bank loans were variable rate loans which carried annual interests ranging from 4.35% to 4.90% of the benchmark rate offered by the People's Bank of China. The effective interest rates of the unsecured bank loans were ranging from 3.1500% to 4.5675% (2022: 3.5000% to 4.5675%) per annum.

As at 31 December 2023, the unsecured bank loans of approximately RMB21,000,000 were repayable in April 2024, and approximately RMB21,000,000 were repayable in October 2024. As at 31 December 2022, the unsecured bank loans of approximately RMB100,000,000 were repayable in June 2024 and the remaining balances were repayable in March, May and December 2023.

21. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiaries participate in a defined contribution retirement benefit scheme (the "Scheme") organised by the PRC municipal government authority in the Fujian Province whereby the Group is required to make contributions to the Scheme at rates which ranged from 16% to 19% of the eligible employees' relevant salaries. The local government authority is responsible for the entire pension obligations payable to retired employees. The Group has no legal or construction obligations to pay further contributions after payment of the fixed contributions.

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

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

For the year ended 31 December 2023

22. DEFERRED ASSETS/(LIABILITIES)

Deferred tax assets and liabilities recognised:

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

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

	Lease liabilities RMB'000	Right-of-use assets RMB'000	Credit loss allowance RMB'000	Expenses deductible on paid basis RMB'000	Income taxable on receipt basis RMB'000	Revaluation of other financial asset RMB'000	Total RMB'000
Deferred tax arising from:							
Balance at 1 January 2022	–	–	33,331	59,715	(5,945)	(2,995)	84,106
Credited/(Charged) to profit or loss *(Note 6(a))*	–	–	42,181	13,771	(492)	–	55,460
Charged to reserves *(Note 9)*	–	–	–	–	–	(932)	(932)
Balance at 31 December 2022 and 1 January 2023	–	–	75,512	73,486	(6,437)	(3,927)	138,634
Credited/(Charged) to profit or loss *(Note 6(a))*	**635**	**(696)**	**(10,071)**	**21,016**	**4,020**	**-**	**14,904**
Credited to reserves *(Note 9)*	**-**	**-**	**-**	**-**	**-**	**1,910**	**1,910**
Balance at 31 December 2023	**635**	**(696)**	**65,441**	**94,502**	**(2,417)**	**(2,017)**	**155,448**

22. DEFERRED ASSETS/(LIABILITIES) (Continued)

Deferred tax assets and liabilities recognised: (Continued)

(ii) Reconciliation to the consolidated statement of financial position

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	163,692	151,074
Net deferred tax liabilities recognised in the consolidated statement of financial position	(8,244)	(12,440)
	155,448	138,634

Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 1(p), the Group has not recognised deferred tax assets of approximately RMB34,460,000 (2022: RMB25,082,000) in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire within 5 years when such losses were incurred under current tax legislation.

Deferred tax liabilities not recognised

At 31 December 2023, the Group has not recognised deferred tax liabilities of RMB241,154,000 (2022: RMB271,035,000) in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to RMB4,823,071,000 (2022: RMB5,420,692,000) that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

23. CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Share option reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2022	182,298	–	–	26,125	1,228,639	1,437,062
Changes in equity for 2022:						
Loss and total comprehensive income for the year *(Note)*	–	–	–	–	40,838	40,838
Equity-settled share option expense *(Note 30)*	–	–	–	61,863	–	61,863
Balance at 31 December 2022 and 1 January 2023	182,298	–	–	87,988	1,269,477	1,539,763
Changes in equity for 2023:						
Loss and total comprehensive income for the year *(Note)*	–	–	–	–	24,820	24,820
Issues of ordinary shares by exercise of share options on 26 April 2023 *(Note 30)*	7	341	–	(59)	–	289
Lapse of share options *(Note 30)*	-	-	-	(87,929)	87,929	-
Dividends declared and paid during the year	-	-	-	-	(121,806)	(121,806)
Balance at 31 December 2023	182,305	341	-	-	1,260,420	1,443,066

23. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

	2023 RMB'000	2022 RMB'000
Interim dividend declared and paid of HK6.5 cents (2022: Nil) per ordinary share	121,806	–
Final dividend proposed after the end of the reporting period of HK13.9 cents (2022: Nil) per ordinary share #	261,943	–
	383,749	–

Note:

\# These final dividends have been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

(c) Share capital

	2023		2022	
	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000

	Number of shares '000	Amount HK$'000	RMB'000
Ordinary shares, issued and fully paid:			
At 1 January and 31 December 2022	2,067,602	206,760	182,298
Issues of ordinary shares by exercise of share options on 26 April 2023 *(Note 30)*	80	8	7
At 31 December 2023	2,067,682	206,768	182,305

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

23. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Other reserves

Other reserves includes:

Difference between the historical carrying value of equity acquired and acquisition consideration on reorganisation of the Group in 2008 for the purpose of listing on the Hong Kong Stock Exchange; and

Difference between the net assets shared by the non-controlling interests and consideration received for the partial (deemed) disposal or further acquisition of equity interest of certain subsidiaries in prior years.

(iii) Statutory reserve

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

(iv) Exchange reserve

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

(v) Fair value reserve (non-recycling)

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

(vi) Share option reserve

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

23. CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(e) Distributability of reserves

At 31 December 2023, aggregate amount of reserves available for distribution to equity holders of the Company amounted to approximately RMB1,260,420,000 (2022: RMB1,269,477,000). After the end of the reporting period, the directors of the Company recommended the payment of a final dividend of RMB261,943,000 (2022: nil) for the year ended 31 December 2023.

(f) Capital management

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

The Group monitors capital with reference to its debt position. The Group's strategy was to maintain the equity and debt in a balanced position and ensure there were adequate working capital to service its debt obligation. The Group's gearing ratio, being the Group's interest bearing debt over its total assets, as at 31 December 2023 was approximately 2.2% (2022: 2.4%).

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

24. FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	3,784,524	2,954,283
Bills receivable	46,860	69,610
Other receivables	74,584	89,165
Pledged bank deposits	12,415	24,138
Deposits with banks	1,600,000	2,000,000
Cash and cash equivalents	3,596,489	3,860,442
Financial assets at FVOCI:		
Other financial asset	20,212	32,948
	9,135,084	9,030,586
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	2,408,551	2,266,680
Lease liabilities	2,818	572
Bank loans	292,491	292,282
	2,703,860	2,559,534

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 14% (2022: 14%) and 35% (2022: 32%) of the gross trade receivables was due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

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

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

(a) Credit risk (Continued)

Trade receivables (Continued)

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

	Weighted average expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	RMB'000	RMB'000	RMB'000
At 31 December 2023				
Current (not past due)	**0.7**	**3,151,238**	**(22,258)**	**3,128,980**
1–90 days past due	**9.6**	**609,908**	**(58,278)**	**551,630**
More than 90 days past due	**62.5**	**277,000**	**(173,086)**	**103,914**
		4,038,146	**(253,622)**	**3,784,524**
At 31 December 2022				
Current (not past due)	2.3	2,448,009	(16,675)	2,431,334
1–90 days past due	22.2	440,177	(58,200)	381,977
More than 90 days past due	61.4	364,931	(223,959)	140,972
		3,253,117	(298,834)	2,954,283

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

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

(a) Credit risk (Continued)

Trade receivables (Continued)

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

	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2022	56,231	76,186	132,417
Provision for impairment losses *(Note 1)*	18,644	147,773	166,417
At 31 December 2022 and 1 January 2023	74,875	223,959	298,834
Provision/(reversal of provision) for impairment losses *(Note 2)*	**5,661**	**(50,873)**	**(45,212)**
At 31 December 2023	**80,536**	**173,086**	**253,622**

Notes:

(1) The changes in provision for impairment loss was mainly due to the settlement status of credit impaired trade receivables.

(2) The changes in reversal of impairment loss was mainly due to the reversal of impairment loss upon the settlement of trade receivables.

Other receivables

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

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

(b) Liquidity risk

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

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

	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but within 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
At 31 December 2023						
Trade and other payables	**2,408,549**	**-**	**-**	**-**	**2,408,549**	**2,408,549**
Lease liabilities	**1,600**	**1,321**	**-**	**-**	**2,921**	**2,818**
Bank loans	**54,110**	**52,484**	**146,306**	**79,661**	**332,561**	**292,491**
Total	**2,464,259**	**53,805**	**146,306**	**79,661**	**2,744,031**	**2,703,858**
At 31 December 2022						
Trade and other payables	2,266,680	–	–	–	2,266,680	2,266,680
Lease liabilities	303	269	–	–	572	572
Bank loans	192,282	105,885	–	–	298,167	292,282
Total	2,459,265	106,154	–	–	2,565,419	2,559,534

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

(b) Liquidity risk (Continued)

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

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

	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2023						
Bank loans	**54,110**	**52,484**	**146,306**	**79,661**	**332,561**	**292,491**
At 31 December 2022						
Bank loans	1,525	1,525	4,621	–	7,671	7,167

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

(c) Interest rate risk

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

(i) Interest rate profile

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

	2023		2022	
	Effective interest rate per annum %	Amount RMB'000	Effective interest rate per annum %	Amount RMB'000
Fixed rate deposits				
Pledged bank deposits	1.3-1.55	12,415	1.3–1.55	24,138
Deposits with banks	2.3	1,600,000	2.3	2,000,000
Lease liabilities	3.73-4	(2,818)	4	(572)
		1,609,597		2,023,566
Variable rate deposits/(borrowings)				
Cash and cash equivalents	0.01-0.3	3,596,489	0.01–0.3	3,860,442
Bank loans	3.15-4.57	(292,491)	3.5–4.57	(292,282)
		3,303,998		3,568,160
Total net deposits		4,913,595		5,591,726

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

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2023, it is estimated that a general increase/decrease of 100 (2022: 100) basis points in both saving and lending interest rates, with all other variables held constant, would have increased/decreased the Group's profit after income tax and retained profits by approximately RMB24,937,000 (2022: RMB27,010,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after income tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after income tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2022.

(d) Currency risk

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

(i) Exposure to currency risk

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

	Exposure of foreign currencies					
	2023			2022		
	Hong Kong dollars RMB'000	**United States dollars RMB'000**	**Renminbi RMB'000**	Hong Kong dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000
Cash and bank deposits	**979**	**7,402**	**1,136**	979	4,841	8,979
Amounts due from group companies	**-**	**-**	**108,995**	–	–	181,722
Amounts due to group companies	**-**	**-**	**(33,342)**	–	–	(32,435)
Net exposure arising from recognised assets and liabilities	**979**	**7,402**	**76,789**	979	4,841	158,266

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

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) on profit after income tax and retained profits RMB'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) on profit after income tax and retained profits RMB'000
Hong Kong dollars	**5%**	**(37)**	5%	(37)
	(5%)	**37**	(5%)	37
Renminbi	**5%**	**(3,839)**	5%	(7,913)
	(5%)	**3,839**	(5%)	7,913

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

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

(e) Commodity price risk

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

(f) Business risk

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

(g) Fair value measurement

(i) Financial assets not measured at fair value

Except for the below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

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

(g) Fair value measurement (Continued)

(ii) Financial assets measured at fair value

Fair value hierarchy

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

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

	Fair value measurements categorised into			
	Fair value RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
At 31 December 2023				
Financial asset:				
Unlisted equity security	**20,212**	**–**	**–**	**20,212**
At 31 December 2022				
Financial asset:				
Unlisted equity security	32,948	–	–	32,948

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (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.

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

(g) Fair value measurement (Continued)

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

Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by adjusted net assets value approach based on assumptions that are not supported by observable market prices or rate. The valuation requires the directors of the Company to make estimates about the fair value of all the assets and liabilities of the investee, as well as the marketability of such investment. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable. Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

	Valuation technique	Significant unobservable input	Rate	Sensitivity of fair value the input
Unlisted equity investments	Adjusted net assets value	Discount for lack of marketability	2023: 8.43% (2022: 6.82%)	5% (2022: 5%) decrease (increase) in discount for lack of marketability would result in increase (decrease) in fair value by RMB1,457,000 (2022: RMB2,270,000)

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

	2023 RMB'000	2022 RMB'000
Unlisted equity securities:		
Balance at 1 January	**32,948**	26,729
Net unrealised gain/(loss) recognised in other comprehensive income during the year *(Note 9)*	**(12,736)**	6,219
Balance at 31 December	**20,212**	32,948

26. COMMITMENTS

(a) Contractual commitments outstanding at 31 December 2023 not provided for in the consolidated financial statements were as follows.

	2023 RMB'000	2022 RMB'000
Advertising and marketing expenses	274,722	68,698

	2023 RMB'000	2022 RMB'000
Investment in subsidiary	150,000	–
Construction of new manufacturing facilities	14,756	–
	164,756	–

(b) At 31 December 2023, the total future minimum lease payments under non-cancellable leases are payable as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	346	360

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

27. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions and balances with a related party

	2023 RMB'000	2022 RMB'000
Amount due to non-controlling interest of a subsidiary (included in trade and other payables) *(Note 18)*	**(2,064)**	(19,870)

(b) Key management personnel remuneration

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

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**34,614**	34,924
Equity settled share-based payment	**-**	16,673
Post-employment benefits	**657**	522
	35,271	52,119

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

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

The table below shows details of the subsidiaries and the consolidated affiliated entities of the Group that has material non-controlling interests:

Name of subsidiary	Proportion of ordinary shares held by non-controlling interests as of 31 December		Total comprehensive income allocated to non-controlling interests for the year ended 31 December		Accumulated non-controlling interests as of 31 December	
	2023	2022	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Duoyidu	**1.09%**	30.75%	**19,237**	1,552	**11,888**	355,601
Zhuji 361 Degrees	**25.99%**	25.99%	**59,060**	46,606	**398,375**	339,912
361 Children	**13%**	13%	**12,338**	7,845	**115,698**	104,225
361 Shoes and Plastics	**49%**	49%	**6,562**	6,138	**101,006**	94,443

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the above subsidiaries. No disclosure on financial information of Duoyidu for the year ended 31 December 2023 as the directors of the Company considered the non-controlling interest is not material. The amounts disclosed are before any inter-company eliminations:

31 December 2023

	Zhuji 361 Degrees RMB'000	361 Children RMB'000	361 Shoes and Plastics RMB'000
Summarised statement of financial position			
Current assets	1,926,900	1,609,981	352,917
Non-current assets	3,328	341,766	28,544
Current liabilities	397,427	1,061,759	175,327
Net assets	1,532,801	889,988	206,134
Carrying amount of NCI	398,375	115,698	101,006
Summarised statement of comprehensive income			
Revenue	1,030,277	787,673	277,037
Profit for the year	227,241	94,908	13,392
Total comprehensive income for the year	227,241	94,908	13,392
Profit allocated to NCI	59,060	12,338	6,562
Dividend paid to NCI	-	-	-
Summarised statement of cash flows			
Cash flows from operating activities	41,764	367,805	10,969
Cash flows from investing activities	5	(349,873)	(13,660)
Cash flows from financing activities	-	(979)	-

28. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

31 December 2022

	Zhuji 361 Degrees RMB'000	361 Children RMB'000	361 Shoes and Plastics RMB'000	Duoyidu RMB'000
Summarised statement of financial position				
Current assets	1,584,493	2,102,754	325,622	2,126,889
Non-current assets	4,994	12	17,131	29,069
Current liabilities	281,630	1,301,035	150,012	999,531
Net assets	1,307,857	801,731	192,741	1,156,427
Carrying amount of NCI	339,912	104,225	94,443	355,601
Summarised statement of comprehensive income				
Revenue	819,938	520,315	290,985	1,851,642
Profit for the year	179,323	60,346	12,527	5,045
Total comprehensive income for the year	179,323	60,346	12,527	5,045
Profit allocated to NCI	46,606	7,845	6,138	1,552
Dividend paid to NCI	–	–	–	34,390
Summarised statement of cash flows				
Cash flows from operating activities	(152,933)	11,947	3,823	119,337
Cash flows from investing activities	59	36	(913)	–
Cash flows from financing activities	–	–	–	(111,828)

Details of transactions with non-controlling interests are disclosed in Note 13.

For the year ended 31 December 2023

29. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2023 RMB'000	2022 RMB'000
Non-current asset			
Investments in subsidiaries	13	1	1
Current assets			
Other receivable		-	223
Amounts due from subsidiaries		1,444,310	1,535,097
Cash and cash equivalents		889	7,443
		1,445,199	1,542,763
Current liabilities			
Accruals		1,845	2,970
Other payables		289	31
		2,134	3,001
Net current assets		1,443,065	1,539,762
Total assets less current liabilities		1,443,066	1,539,763
Net assets		1,443,065	1,539,763
Capital and reserves			
Share capital	23(a)	182,305	182,298
Share premium	23(a)	341	–
Reserve	23(a)	1,260,420	1,357,465
Total equity		1,443,066	1,539,763

30. SHARE OPTION PLAN

Equity-settled share-based payments

Pursuant to a resolution passed by the Company's shareholders at the annual general meeting held on 18 May 2022, the Company adopted a share option scheme (the "Scheme").

Particulars of the Scheme are set out bellows:

Purpose of the Scheme

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

Participants of the Scheme

The board of directors of the Company or a duly authorised committee thereof, may, at its discretion, grant options to any (i) eligible employee (being any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group); (ii) a director or proposed director (including an independent non-executive director) of any member of the Group; (iii) a direct or indirect shareholder of any member of the Group; (iv) a supplier of goods or services to any member of the Group; (v) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; and (vi) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group (collectively the "Participants"), to subscribe for shares of HK$0.10 each in the share capital of the Company in accordance with the provisions of the Scheme.

Total number of shares available for issue under the Scheme

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

30. SHARE OPTION PLAN (Continued)

Maximum entitlement of each participant

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

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

Period within which the shares must be taken up under an option

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

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

Basis of determining the exercise price of the option

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

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer, which must be a trading date;

(2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer; or

(3) the nominal value of a share.

Remaining life of the Scheme

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

30. SHARE OPTION PLAN (Continued)

Share options granted

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

	Share options by grant date 21 June 2021 *(Note a)*
Number of ordinary shares issued upon exercise *(Note c)*:	
— Director	–
— Senior management	8,840,000
— Employees	45,960,000
— Business partners *(Note b)*	45,200,000
	100,000,000

Notes:

(a) The grant date is the date at which the Company and counterparties (including the employees) agree to a share-based payment arrangement, being when the Company and the counterparties have a shared understanding of the terms and conditions of the arrangement.

(b) Business partners represented distributors of the Group who are involved in distribution of the Group's products, which comprised the substantial shareholders, senior executives and employees of certain distributors.

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

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

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

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

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

30. SHARE OPTION PLAN (Continued)

Share options granted (Continued)

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

	Exercise price per share option HK$	Equivalent to RMB	Number of share options: Balance as at 1 January	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December
For the year ended 31 December 2022								
– Director	4.10	3.40	–	–	–	–	–	–
– Senior management	4.10	3.40	8,840,000	–	–	–	(960,000)	7,880,000
– Employees	4.10	3.40	45,640,000	–	–	–	(1,840,000)	43,800,000
– Business partners	4.10	3.40	45,200,000	–	–	–	–	45,200,000
			99,680,000	–	–	–	(2,800,000)	96,880,000
Exercisable at the end of the year								96,880,000
Weighted average exercise price on outstanding options								HK$4.10
For the year ended 31 December 2023								
– Director	4.10	3.40	-	-	-	-	-	-
– Senior management	4.10	3.40	7,880,000	-	80,000	-	(7,800,000)	-
– Employees	4.10	3.40	43,800,000	-	-	-	(43,800,000)	-
– Business partners	4.10	3.40	45,200,000	-	-	-	(45,200,000)	-
			96,880,000	–	80,000	-	(96,800,000)	-
Exercisable at the end of the year								-
Weighted average exercise price on outstanding options								N/A

30. SHARE OPTION PLAN (Continued)

Share options granted (Continued)

The options entitle the grantee to subscribe for a total of 100,000,000 new shares of HK$0.10 each at an exercise price of HK$4.10 per share.

During the year ended 31 December 2023, 80,000 (2022: nil) share options granted under the Share Option Scheme 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. The weighted average closing price immediately before the date on which the options were exercised was HK$4.21 per share.

During the year ended 31 December 2023, 96,800,000 (2022: 2,800,000) share options lapsed due to termination of share option scheme (2022: due to resignation of the grantees during vesting period), the amount previously recognised in share option reserve was transferred to retained profits.

31. POSSIBLE IMPACT OF NEW OR AMENDMENTS TO HKFRSS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amendments to HKFRSs, which are not yet effective for the year ended 31 December 2023 and which have not been early adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial adoption. So far the directors of the Company have concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of final results	13 March 2024
Ex-entitlement date for final dividend	29 April 2024
Closure of register of members and record date (Final dividend)	2 May 2024 to 6 May 2024
Closure of register of members and record date (AGM)	22 April 2024 to 25 April 2024
Dispatch of final dividend warrants	17 May 2024

DIVIDENDS

The Board recommended to declare a final dividend of HK13.9 cents (equivalent to RMB12.7 cents for illustration purpose only) per ordinary share for the year ended 31 December 2023, subject to approval by the Company's shareholders at the forthcoming annual general meeting ("the AGM"). Including an interim dividend of HK6.5 cents (equivalent to RMB6.0 cents for illustration purpose only) per ordinary share for the six months ended 30 June 2023 which have already been paid, if final dividend will be approved, total payout for the year will amount to HK20.4 cents (equivalent to RMB18.7 cents for illustration purpose only) per ordinary share or RMB386.1 million in aggregate, representing 40.2% of the profit attributable to equity shareholders of the Group for the year ended 31 December 2023. It is expected that the final dividend, if approved by Company's shareholders at the forthcoming AGM of the Company, will be paid to shareholders on or about 17 May 2024.

CLOSURE OF REGISTER OF MEMBERS

The AGM of the Company will be held on Thursday, 25 April 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 22 April 2024 to Thursday, 25 April 2024, both days inclusive, during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 19 April 2024.

The proposed final dividend is subject to the passing of an ordinary resolution by the Company's shareholders at the AGM. The record date for entitlement to the proposed final dividend is Monday, 6 May 2024. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 2 May 2024 to Monday, 6 May 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 30 April 2024.

SHAREHOLDER INFORMATION

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
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Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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INVESTOR RELATIONS CONTACT

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Wanchai, Hong Kong SAR of the PRC

COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Wuhao（丁伍號）
Ding Huihuang（丁輝煌）*(Chairman)*
Ding Huirong（丁輝榮）
Wang Jiabi（王加碧）

Independent Non-executive Directors

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

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）

HEAD OFFICE IN THE PRC

361° Building
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Jinjiang City, Fujian Province
the PRC

Wuli Industrial Park
She Ma Lu
Jinjiang City
Fujian Province 362261
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wanchai Hong Kong SAR of the PRC

REGISTERED OFFICE

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PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

AUDITOR

Moore CPA Limited

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

As to Hong Kong law:

Chiu & Partners

PRINCIPAL BANKERS

China Construction Bank Corporation
China Citic Bank International Limited
Industrial Bank Co., Ltd.
Industrial and Commercial
Bank of China

COMPANY WEBSITE

www.361sport.com

STOCK CODE

01361

361 DEGREES INTERNATIONAL LIMITED

Stock Code: 1361

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REVIEW OF ANNUAL RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures. The audit committee comprises three independent non- executive directors of the Company, Mr. Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang. Mr. Wu Ming Wai Louie serves as the chairman of the audit committee of the Company. The chairman of the audit committee has professional qualification and experience in financial matters in compliance with the requirement of the Listing Rules.

The audit committee of the Company has agreed with the external auditors of the Group, Moore Stephens CPA Limited, and has reviewed the accounting principles and practices adopted by the Group and the consolidated results of the Group for the year ended 31 December 2023. The audit committee considered that the consolidated results of the Group for the year ended 31 December 2023 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been duly made.

DIVIDENDS

The Board recommended to declare a final dividend of HK13.9 cents (equivalent to RMB12.7 cents for illustration purpose only) per ordinary share for the year ended 31 December 2023, subject to approval by the Company's shareholders at the forthcoming annual general meeting ("the **AGM**").

CLOSURE OF REGISTER OF MEMBERS

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PUBLICATION OF 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.361sport.com), and the 2023 annual report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Company and the Stock Exchange in due course.

APPRECIATION

I would like to take this opportunity to express my thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our shareholders, suppliers, customers and bankers for their continuous support.

On behalf of the Board of
361 Degrees International Limited
Ding Huihuang
Chairman

Hong Kong, 13 March 2024

As at the date of this announcement, the board of directors of the Company comprises four executive directors, namely Mr. Ding Wuhao, Mr. Ding Huihuang (Chairman), Mr. Ding Huirong and Mr. Wang Jiabi, and three independent non-executive directors, namely, Mr. Wu Ming Wai Louie, Mr. Hon Ping Cho Terence and Mr. Chen Chuang.