

361°

**361 DEGREES
INTERNATIONAL LIMITED**

Stock Code: 1361

INTERIM REPORT 2024



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FINANCIAL HIGHLIGHTS

Revenue increased from RMB4,311.5 million to RMB5,141.3 million

Profit attributable to the equity shareholders increased from RMB703.6 million to RMB789.7 million

	For the six months ended 30 June		
	2024 (Unaudited)	2023 (Unaudited)	Change
Profitability Data (RMB'000)			(%)
Revenue	5,141,284	4,311,523	19.2%
Gross profit	2,124,997	1,796,490	18.3%
Operating profit	1,060,445	992,781	6.8%
Profit attributable to equity shareholders	789,703	703,646	12.2%
Earnings per share			
— basic (RMB cents)	38.2	34.0	12.4%
Profitability Ratios (%)			(% point)
Gross profit margin	41.3	41.7	-0.4
Operating profit margin	20.6	23.0	-2.4
Margin of profit attributable to equity shareholders	15.4	16.3	-0.9
Effective income tax rate (Note 1)	21.9	22.1	-0.2
Return on shareholders equity (Note 2)	8.6	8.4	0.2
Operating Ratios (as percentage of revenue) (%)			
Advertising and promotional expenses	10.5	8.8	1.7
Staff costs	6.2	7.1	-0.9
Research and development (Note 3)	2.8	3.2	-0.4

Notes:

- (1) Effective income tax rate is equal to the income tax divided by the profit before taxation for the period.
- (2) Return on shareholders equity is equal to the profit attributable to equity shareholders divided by the average of opening and closing equity attributable to shareholders of the Company for the period.
- (3) The ratio for the year is to range between 3% and 4%, as a result of an increase in scheduled research and development activities during the second half of 2024.

FINANCIAL HIGHLIGHTS

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Change
Assets and Liabilities data (RMB'000)			(%)
Non-current assets	1,198,141	1,447,918	-17.3
Current assets	12,206,791	11,617,332	5.1
Current liabilities	3,399,366	3,088,042	10.1
Non-current liabilities	233,022	254,038	-8.3
Equity attributable to equity shareholders	9,330,625	9,082,367	2.7
Non-controlling interests	441,919	640,803	-31.0
Asset and Working Capital data			
Current asset ratio	3.6	3.8	-0.2
Gearing ratio (%) <i>(Note 3)</i>	2.5	2.2	0.3 percentage point
Net asset value per share (RMB) <i>(Note 4)</i>	4.7	4.7	No change
Inventory turnover days (days) <i>(Note 5)</i>	85	93	-8 days
Trade and bills receivables turnover days (days) <i>(Note 6)</i>	148	149	-1 day
Trade and bills payables turnover days (days) <i>(Note 7)</i>	89	110	-21 days
Working capital turnover days (days)	144	132	12 days

Notes:

- (3) The calculation of gearing ratio is based on the interest-bearing debt divided by the total assets of the Group as at the end of the period/year.
- (4) The calculation of net asset value per share is based on the net assets divided by weighted average number of shares for the period/year.
- (5) Inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by 182 days (for the six months ended 30 June 2024) and 365 days (for the year ended 31 December 2023).
- (6) Trade and bills receivables turnover days is equal to the average opening and closing trade and bills receivables after allowance of doubtful debts divided by revenue and multiplied by 182 days (for the six months ended 30 June 2024) and 365 days (for the year ended 31 December 2023).
- (7) Trade and bills payables turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by 182 days (for the six months ended 30 June 2024) and 365 days (for the year ended 31 December 2023).

OVERVIEW OF INTERIM RESULTS

FINANCIAL PERFORMANCE



Revenue increased by 19.2% to **RMB5.14 Billion**



Revenue from the 361° Kids Business increased by 24.2% to **RMB1.13 Billion**



Revenue from E-commerce business increased by 16.1% to **RMB1.25 Billion**



Profit attributable to equity shareholders increased by 12.2% to **RMB790 Million**



Basic earnings per share increased by 12.4% to **RMB38.2 Cents**



Dividend **HK\$16.5 Cents** (a dividend payout ratio of 40.3%)

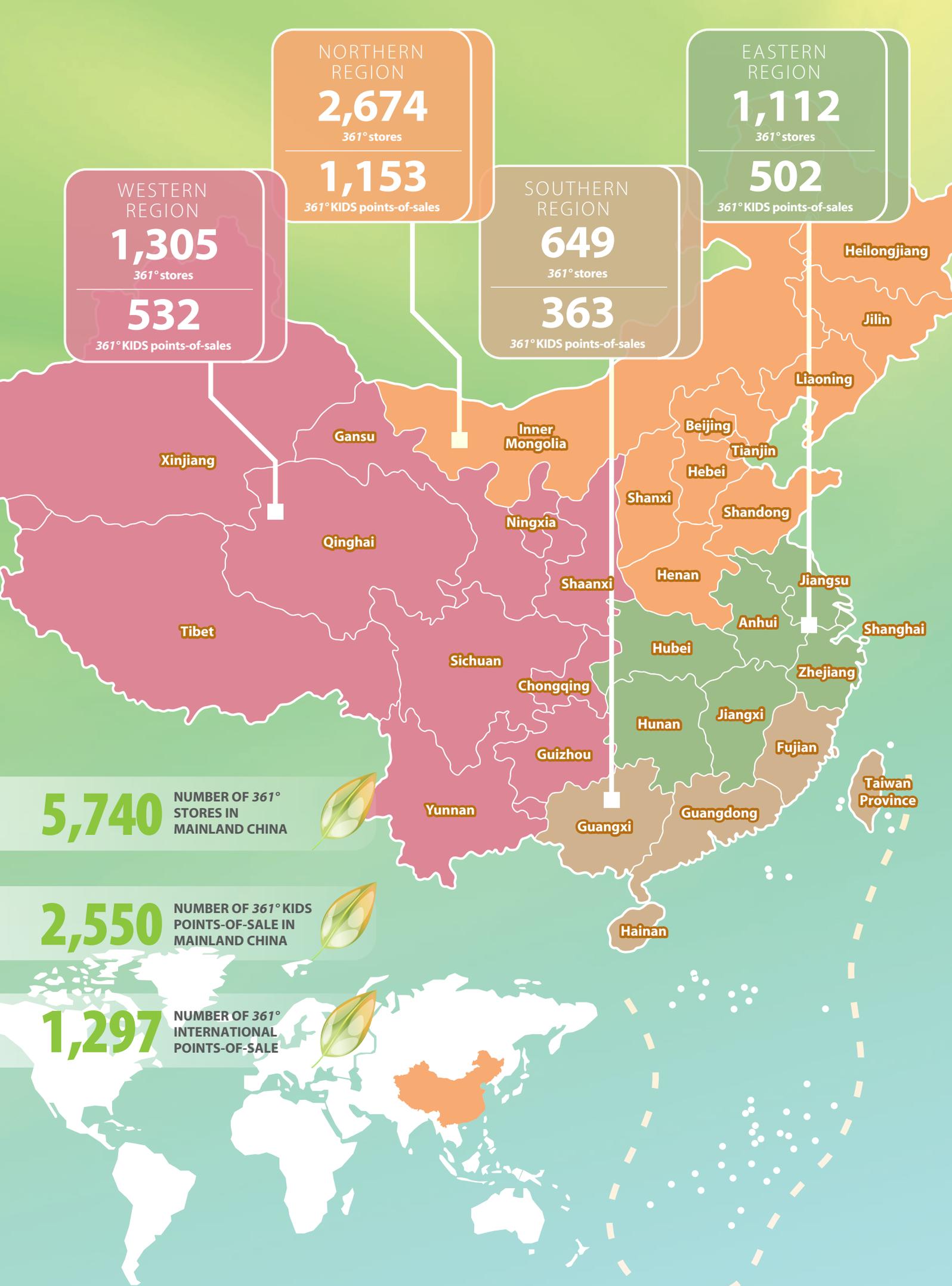
AWARDS RECEIVED FROM THE CAPITAL MARKET DURING THE PERIOD



The 7th China Annual IR Award
The “Best Capital Market Communication Award” and the “Best IR Director Award”



The 10th Investor Relations Awards 2024
The “Best IR Company”,
the “Best IR Team”,
the “Best Investor Meeting”, and
the “Best IRO” in the small-cap category



NORTHERN REGION

2,674

361° stores

1,153

361° KIDS points-of-sales

EASTERN REGION

1,112

361° stores

502

361° KIDS points-of-sales

WESTERN REGION

1,305

361° stores

532

361° KIDS points-of-sales

SOUTHERN REGION

649

361° stores

363

361° KIDS points-of-sales

Xinjiang

Gansu

Inner Mongolia

Heilongjiang

Jilin

Liaoning

Beijing

Tianjin

Hebei

Shanxi

Shandong

Ningxia

Qinghai

Shaanxi

Henan

Jiangsu

Tibet

Anhui

Shanghai

Sichuan

Hubei

Zhejiang

Chongqing

Hunan

Jiangxi

Guizhou

Fujian

Yunnan

Guangxi

Guangdong

Taiwan Province

Hainan

5,740

NUMBER OF 361° STORES IN MAINLAND CHINA



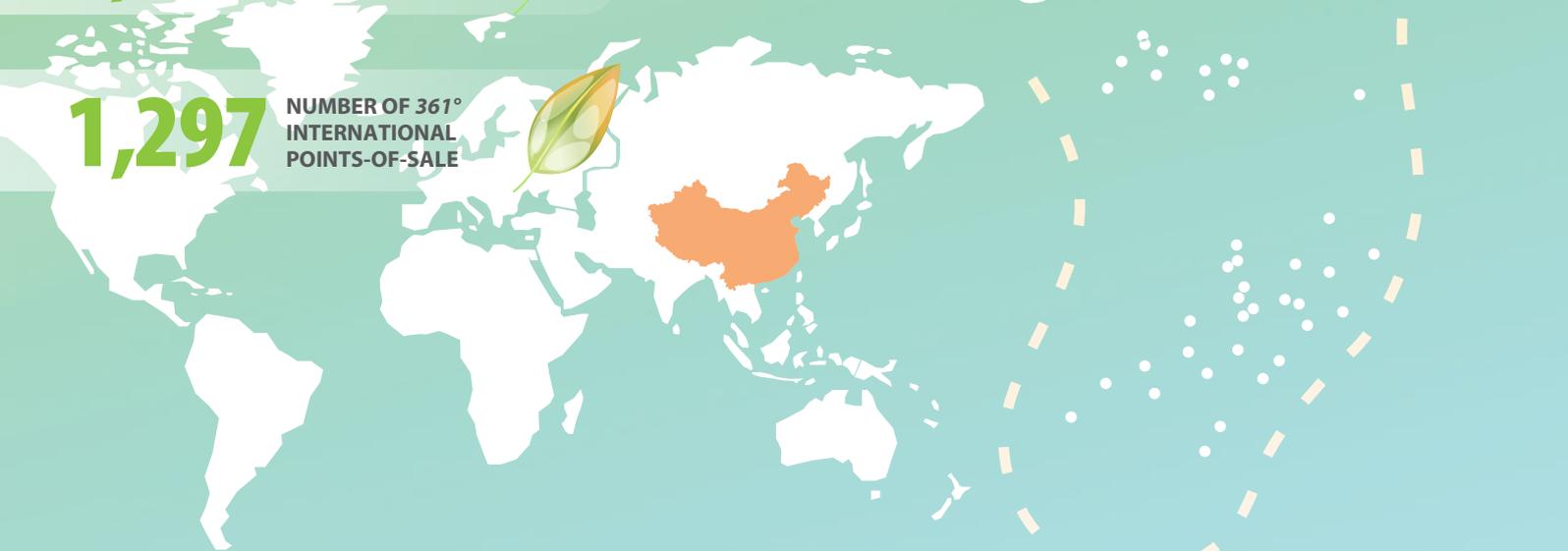
2,550

NUMBER OF 361° KIDS POINTS-OF-SALE IN MAINLAND CHINA



1,297

NUMBER OF 361° INTERNATIONAL POINTS-OF-SALE



CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of 361 Degrees International Limited (the "Company"), I am pleased to present the interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "361° Group") for the six months ended 30 June 2024 (the "period under review").

In the first half of 2024, despite a challenging and complicated global environment, the domestic economy of the People's Republic of China ("PRC") showed steady recovery with improving momentum. As industrial policies gradually eased to promote technological innovation, quality development, and structural optimisation among enterprises, the government underscored consumption-driven development in its economic report. Against the backdrop of increasing consumption and expanding domestic demand, sports consumption has emerged as a focal point receiving significant policy support and swift implementation. This sector is experiencing high-quality development.

During the period under review, the Group recorded a revenue of RMB5,140.0 million, representing a year-on-year increase of 19.2%. Profit attributable to the equity shareholders was RMB790.0 million, representing a year-on-year increase of 12.2%. To appreciate the shareholders for their continuing recognition of and support to our Group, the Board has recommended to declare an interim dividend for the period under review of HK\$16.5 cents (equivalent to RMB15.4 cents for illustration purpose only) per ordinary share ("2024 Interim Dividend"), representing a dividend payout ratio of 40.3%.

UNLEASHING NEW VITALITY IN BRAND BUILDING BY AIMING AT GLOBAL MARKET

During the period under review, guided by its ethos of "ONE DEGREE BEYOND" (多一度熱愛) and positioned as a "professional, youthful, and internationalised" brand, 361° Group entered a new phase of comprehensive expansion. Recognising the evolving trends in the sporting goods industry, we have identified that integrating technology into our brand can unlock limitless potential. Thereafter, by leveraging technology as the catalyst for our continuous growth, we have embraced a strategy centred on "technology-driven, brand-first" development. This approach aims to offer consumers high-value professional sporting goods for the mass market, thereby strengthening our brand's professionalism and influence.

As the first Chinese sports brand to sponsor the Olympic Games and four consecutive Asian Games, we maintain a deep commitment and unwavering passion for the global sports market. Through deep integration of international sports event resources, we aspire to enhance the influence of Chinese brands globally. We are dedicated to expanding our presence worldwide, enhancing our overseas sales channels and service network to ensure that high-quality professional sporting goods reach a broader consumer base. Additionally, we aim to foster the spirit of "ONE DEGREE BEYOND" (多一度熱愛) among sports enthusiasts worldwide, providing them with an exceptional sports experience tailored to their diverse needs.

During the period under review, we achieved several international event sponsorships, marking new milestones. In February this year, we were honoured to commence a long-term partnership as the official sportswear supplier for the World Aquatics (the "World Aquatics") starting with the World Aquatics Championships — Doha 2024. In April this year, we officially became the official partner for the 9th Asian Winter Games Harbin 2025 and teamed up with Beijing Institute of Fashion Technology ("BIFT") to ingeniously integrate the main visual elements of the Asian Winter Games into the sponsored sportswear. This innovative application of technology aims to promote a culture of passion for 361° brand and inspire a broader audience base to express passion for winter sports.

CHAIRMAN'S STATEMENT

MAXIMISING POTENTIAL IN THE PROFESSIONAL SPORTS SECTOR AND EXPANDING PREMIUM RESOURCES

Recognising that the current growth in the professional sports sector is fueled by technological advancements and growing public interest in health, entertainment, and cultural exchange, we have continuously increased our investment in this sector. By focusing on professional sports, we aim to expand our brand resources systematically, creating a matrix-based development model that includes major sports events, professional sports teams, elite athletes, and brand ambassadors. Concurrently, amid globalisation, we leverage our existing resource framework to strategically enhance our brand development globally, forging emotional connections with a wider audience base.

In the field of running, we support the industry with our expertise, assisting runners in competing in professional marathon events. During the period under review, we sponsored a variety of running events including the Zheng-kai Marathon, Qingdao Marathon, and Qinhuangdao Marathon, solidifying our role as a staunch supporter for numerous runners in major marathon events both domestically and internationally. Our ambassadors, LI Zicheng (李子成) and GUAN Yousheng (管油勝), along with a number of 361° elite runners, achieved remarkable results and personal milestones across multiple events, wearing the professional marathon running shoes offered by 361°. Their accomplishments have fully vindicated our professional prowess in the running sector. Furthermore, it is encouraging to see a rapid increase in the usage of our professional footwear in marathon courses, reflecting growing public recognition of the technology and functionality of our products.

In the basketball sector, we have focused on cultivating our professional brand image by utilising ambassador resources, which in return will accelerate our global brand expansion. During the period under review, we made a major move by collaborating with Kentavious CALDWELL-POPE, another prominent player as our basketball ambassador. He became the fourth international player to sign a contract with our Group. This not only demonstrates our professional strength but also reflects our determination to deeply integrate with the international basketball culture. Furthermore, we congratulate Nikola JOKIĆ, our global brand ambassador, for being recognised as the "Kia NBA Most Valuable Player in the 2023-24 regular season", which is his third time receiving this prestigious accolade within four years. This achievement has significantly boosted our brand's visibility among international media and consumers.

At the same time, we have spared no effort to promote our proprietary IP events to enhance our brand's professionalism. During the period under review, we upgraded the race system of the "3# Track" (三號賽道), becoming the first domestic sports brand to organise a proprietary IP road race. As a phenomenal basketball IP event, the 2024 season of "Light Up" (觸地即燃) series featured four major series: the National Series, Overseas Series, Zone Series and Regional Series, which enable us to promote the brand's professional value and philosophy to a broader sports audience and establish emotional resonance with them. In addition, we pride ourselves on the fact that "Light Up" (觸地即燃) has made groundbreaking progress overseas, making 361° the first domestic sports brand to market its own-branded sports event overseas after the pandemic. With the international promotion of "Light Up" (觸地即燃), the internationalised image of the 361° brand has become more deeply rooted in people's hearts. Meanwhile, our own-branded event IP "Women's Fitness Gym" (女子健身局) partnered with KEEP to initiate the "2024 Resilient and Active Party" (二零二四韌性好動派對), continuously expanding the event's influence.

By enhancing the technology and functionality of our products, we continue to stay abreast of new trends in the industry and identify potential growth points so as to keep our brand vibrant and forward-looking. During the period under review, we introduced the "Weekend Lightweight Adventure Series" (輕野系列), a new lightweight outdoor product line, accompanied by the release of a video titled "Lightweight Adventure in the Wild World" (《大世界輕野行》), which caters to consumers' trend toward a healthy and lightweight lifestyle. We actively explore professional sports segments, launching products such as yoga pants, competition sets, and sun-protection apparel. In particular, the "Sunblock Challenge" (曬不服) campaign swiftly went viral beyond its own industry due to its engaging and entertaining content, helping our sun-protection apparel quickly penetrate the outdoor segment. This prompts us to take the lead in capturing the sun-protection market. In June this year, our "Meet Up on Skateboards" (板上見) skateboarding event was successfully held in Shijiazhuang and Shenyang, with 361° brand's skateboarding ambassador GAO Qunxiang (高群翔) and designer Panda Mei (梅涇林) attending the inaugural event. By cultivating connections through the skateboarding culture, our brand has entrenched its presence in the young consumer demographic, further strengthening our position as a youth-oriented brand.

CHAIRMAN'S STATEMENT

STRENGTHENING FIRST-MOVER ADVANTAGES TO DEEPEN IMAGE DEVELOPMENT OF "PROFESSIONAL CHILDREN'S SPORTSWEAR BRAND"

The government considers the development of the sports industry for children and adolescents to hold a significant position in its national strategy, thereby providing considerable attention and policy support. In addition, driven by consumption upgrades and changes in buying channels, parents demand variety, professionalism, and quality in children's sports gear. Therefore, the combination of these factors contributes to a flourishing children's sportswear market. Acutely discerning the emerging opportunities in the children's sportswear market, 361° Kids leverages its wealth of resources and strategic advantages to maintain our high-speed growth in the children's sportswear sector. Currently, the Kids business has become a robust growth driver for the Group.

During the period under review, 361° Kids continued carrying forward the brand ethos of "ONE DEGREE BEYOND" (多一度熱愛) of the 361° brand. With the brand statement "CHASING YOUR LOVE!" (熱愛吧, 少年!), 361° Kids continued to deepen its position as the "Youth Sports Expert" (青少年運動專家). Our Kids business, which focused on professional categories including running, rope skipping, basketball, and football, provides children and adolescents of all age groups with sportswear products that integrate professional functionality, health technology, playfulness and trendy elements. By closely keeping abreast of policy guidance and market demands to perfect our product categories and resource deployment, we persisted in optimising functionality and innovating design, as part of our commitment to meeting the diverse needs of children and adolescents for sporting goods. These initiatives have contributed to the continuing consolidation by 361° Kids of various first-mover advantages in professional sports resources, product matrix, and channel scale, while promoting the overall development of the Group's brand system.

To strengthen consumer awareness of 361° Kids as the "Youth Sports Expert" (青少年運動專家), we continued to expand our offering of professional sports products. By deepening the synergies with the 361° brand, we leveraged the brand's resources and our experiences in our own-branded IP events to the youth sports segment, enabling 361° Kids to gain full access to international basketball superstar resources and IP resources, and secure more market opportunities with our professional brand highlighted by a range of brand activities. During the period under review, 361° Kids unveiled the latest fifth-generation image store, as part of our continuing efforts to optimise the distribution of sales channels. As at 30 June 2024, the number of kid's points-of-sale reached 2,550 with an average store area of 108 m², representing an increase of 5 m² as compared to the end of 2023. Such increase demonstrated a promising business outlook, laying a solid foundation for the future long-term rapid development of our business.



CHAIRMAN'S STATEMENT

ACCELERATING THE IMPROVEMENT OF OUR INTERNATIONAL LAYOUT BY STRENGTHENING TECHNOLOGICAL EMPOWERMENT AND CHANNEL DEVELOPMENT

Confronted by an increasingly competitive market environment, we redoubled our introspection and innovation efforts, recognising the importance of technology as a driving force. As of 30 June 2024, we obtained 562 patents. These technological advancements have strengthened our competitive advantages in the market. In the meantime, we hold 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, "Innovation China" Doctoral Innovation Station ("科創中國" 博士創新站), and provincial technology centre. Such titles provide a solid foundation for our future sustainable growth, as well as strong support to expand our influence in the global market.

Continuous investment and development in technology and branding are the catalyst for our continuous growth. Adhering to our brand strategy of "technology-driven, brand-first", we leverage technological innovation as our internal driving force. We integrate innovative technology with professional sports requirements to advance the research and development ("R&D") upgrading of our footwear and apparel products. Through materials technology innovation, product matrix expansion, and extensive research on sports science support, we strive to launch products with outstanding performance in close collaboration with numerous professional sports teams and athletes. We have developed a series of highly specialised, cost-effective high-tech sports products, such as "Flying Flame 3" (飛燃3), "Furious Future 1.5" (飛騰Future 1.5), "SPIRE Float" (速湃Float), "Flying Flame 2 ET" (飛燃2 ET), and "BIG3 Future". These professional products have introduced global sports enthusiasts to a more comfortable and efficient sports experience, and repeatedly received domestic and international awards, thereby securing a leading position in the industry.

In terms of channel development, we catered to the needs of consumers across various channels. This comprehensive approach maximises the dual benefits of e-commerce platforms in the development of online retail channel and the promotion of online brand image, effectively increasing our brand exposure and sales conversion rates, while driving continuous high-speed growth in online channel sales. Furthermore, we have fully advanced the integration of online and offline channels. Compared to the end of 2023, the number and average area of our points-of-sale in mainland China have both increased steadily, with our growing presence in shopping malls and department stores, demonstrating significant potential in continuing growth.



CHAIRMAN'S STATEMENT

While consolidating the domestic market, we have accelerated the pace of developing overseas sales channels. By leveraging sponsorships for internationally renowned sports events to boost brand penetration, we have accelerated the development of international markets. Currently, we have established 1,297 offline points-of-sales in the overseas market (excluding mainland China), covering regions such as the Americas, Europe, and regions alongside the Belt and Road Initiative. We have replicated the operational advantages of our e-commerce platforms to cross-border e-commerce channels, opening global market sales channels for a wider consumer base to access our professional sports products. Officially launched in April this year, our overseas e-commerce independent website operates as a new platform for consumers across the globe to explore and learn about 361° product offerings, marking an important step forward in the internationalisation strategy of the 361° brand.

It is noteworthy that we registered strong online retail performance during the "618" Shopping Festival this year. During the "618" Shopping Festival, the omni-channel sales of our e-commerce platforms achieved a year-on-year growth of 94% in total sales, ranking third among domestic brands. The sales volume through e-commerce channels increased by 99%, leading the industry in terms of year-on-year growth rate. We are delighted to witness that throughout the nearly 30-day "618" Shopping Festival, 361° emerged as a prominent player, ranking among the top 5 of all footwear brands, and standing as the sole domestic brand on the top 30 list. In the long run, the e-commerce platform remains a core driver to elevate the Group's performance.

OUTLOOK

On behalf of the Board, I would like to express our sincere gratitude to all our shareholders and stakeholders for their trust and support to 361° Group. I would also like to extend my heartfelt appreciation to all staff for their diligence and dedication, as well as our customers and partners. Looking into the second half of 2024, the successive hosting of major international and domestic sports events will consistently boost the public's enthusiasm for sports, which is expected to drive the demand for sporting goods and related products. In addition, sportswear enterprises will be provided with this perfect platform to showcase their products and technological innovations. As a leading sportswear enterprise in China, 361° Group will continue to deepen our position as a "professional, youthful, and internationalised" brand. By embracing this valuable opportunity with an open and proactive posture, we will strengthen our professional sports DNA through technology and drive our brand's momentum towards greater achievements in the global market.

Ding Huihuang

Chairman

Hong Kong SAR of the PRC, 12 August 2024

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2024, despite the global economic pressures from high interest rates, international trade conflicts, and geopolitical risks, China proactively addressed these challenges by introducing initiatives to strengthen macroeconomic regulation, expand domestic demand, optimise the economic structure, and boost market confidence. Furthermore, China remained committed to promoting policies aimed at high-quality economic development, ensuring a stable and positive growth trajectory. According to the National Bureau of Statistics of China (“NBS”), China’s gross domestic product (“GDP”) in the first half of 2024 amounted to RMB6.17 billion, representing a year-on-year increase of 5.0%, continuing the overall momentum of recovery and improvement.

While China navigates its path to comprehensive economic recovery in 2024, several long-standing and deep-seated issues have become increasingly prominent. The consumption market, influenced by multiple internal and external factors, has experienced fluctuating growth. According to the NBS, the total retail sales of consumer goods nationwide in China in the first half of 2024 amounted to RMB23.6 trillion, representing a year-on-year increase of 3.7%. Specifically, online retail sales of physical goods nationwide amounted to RMB5,959.6 billion, representing a year-on-year increase of 8.8%. Since the beginning of this year, China has consistently underscored the crucial role of consumption in driving economic growth, highlighting it as the primary growth driver. By defining 2024 as the “Year of Consumption Promotion”, the Ministry of Commerce has focused on sustaining and boosting consumption, by strengthening the efforts to develop digital consumption, green consumption, and health consumption, while actively cultivating new drivers such as smart entertainment and tourism, sports events, and “China-Chic” domestic products. With a volley of policies taking effect, a boost is expected in residents’ consumer confidence.

Against the backdrop where consumption serves as the primary growth driver of the economy amid the expansion of domestic demand, China’s sports industry has recently emerged as a significant productive force receiving continuous policy support, facing unprecedented development opportunities. The implementation of the Law of the People’s Republic of China on Physical Culture and Sports (《中華人民共和國體育法》), alongside policies such as the Development Plan for the Outdoor Sports Industry (2022–2025) (《戶外運動產業發展規劃(2022–2025年)》) and the 14th Five-Year Plan for National Health (《「十四五」國民健康規劃》), has fueled growing public enthusiasm for sports participation and consumption.

At the National Sports Industry Work Conference (全國體育產業工作會議) held in Shanghai in April 2024, emphasis was placed on implementing the Outline for Building a Leading Sports Nation (《體育強國建設綱要》) and the 14th Five-Year Plan for Sports Industry Development (《「十四五」體育產業發展規劃》). The conference highlighted the necessity of integrating sports into the national economic and social development to stimulate innovative consumption activities, and expand domestic demand through major sports events. According to the National Health Commission in June this year, during the “14th Five-Year Plan”, China plans to build or upgrade more than 1,900 sports parks, nearly 1,400 national fitness centres, approximately 15,000 township and community fitness facility and equipment upgrade projects (鄉鎮街道全民健身場地器材補短板項目), and over 5,100 outdoor sports public service amenities. Additionally, more than 660 public stadiums will undergo digital upgrade and transformation. Under these favourable conditions, various local governments introduced numerous regulations in the first half of 2024 to implement the policies of “the Construction of a Sports Superpower” and “National Fitness”. These regulations cover aspects such as the sports-driven economy, sports consumption, rural revitalisation, youth sports, and elderly sports, with practical actions to promote high-quality development in the sports industry. Relevant departments and agencies are actively planning the sports industry layout and promoting the optimisation and improvement of related industries to achieve the development of China’s sports industry, expand domestic demand, and drive consumption growth.



MANAGEMENT DISCUSSION AND ANALYSIS

With the target of reaching a RMB5 trillion scale for China's sports industry by 2025, China is embracing rapidly emerging forms of sports consumption. The expanding scale of venue services, sports training and sports events, the "Sports+" initiative promotes the cross-border integration of sports with traditional tourism and cultural industries, becoming a new driving force for sports consumption. Events such as the Asian Games, marathons, Dragon Boat Festival, "Village Super League" and "Village Basketball Association" have attracted the attention of hundreds of millions of netizens and have become new highlights in the sports industry. According to the Notice on the Integration of "Sports Events into Scenic Areas, Neighbourhoods and Business Districts" (《關於開展「體育賽事進景區、進街區、進商圈」活動的通知》) jointly issued by the General Administration of Sport of China, the Ministry of Commerce, and the Ministry of Culture and Tourism in March 2024, it is emphasised that high-profile and influential sports events shall be created to maximise the benefits, as part of the efforts to promote the in-depth integration of sports with business and cultural tourism, thus to fully unleash consumption potentials. As a result of sports events and various innovative sports activities and programmes, the Chinese consumer base has developed a growing appreciation for physical exercise and a stronger enthusiasm for fitness. This is evidenced by a rising participation rate in various sports and an increasing demand for sports shoes and apparel. Consequently, China's sports industry is experiencing steady growth.

Based on current consumer trends, freedom, comfort, and style have become essential requirements for sportswear. With growing public health awareness and shifting attitudes towards sportswear fashion, the line between everyday clothing and sportswear is increasingly blurred. Consumers are seeking athletic footwear and apparel that offer both functionality and stylish designs. Reflecting the growing popularity of sportswear fashion, fitness activities and trendy athletic wear have become essential fashion choices for young consumers. In addition, the rise of domestic brands has also fostered a strong sense of national confidence and cultural identity. This has led to the increasing popularity of "China-Chic" elements, which reflect young consumers' desire for personalised fashion and enhance the cultural significance of the products. The "China-Chic" trend significantly boosts the competitiveness of Chinese brands and promotes their expansion into overseas markets, creating new development opportunities.

Furthermore, another consumption trend indicates that with increasingly matured consumer awareness of sports-related consumption, there is a growing demand for the functionality of equipment and gear. Purchase decisions are shifting from entry-level products to higher-end and professional-grade options. By continuing to focus on technology-driven product development, Chinese premium sports brands have enhanced competitiveness in product R&D, design and marketing. In addition, advanced materials science, ergonomic designs and smart technologies are utilised to launch a range of products that both meet professional sporting needs and incorporate fashionable elements, providing consumers with high-quality sports experiences, and injecting new momentum into the upgrading and development of the entire sports industry.



MANAGEMENT DISCUSSION AND ANALYSIS

Furthermore, with children and adolescents seen as the future of the nation, various national policies, including the “National Fitness Plan” and the “Healthy China 2030 Initiative” emphasise the importance of vigorously developing the children and youth sports industry. Policy support, public health initiatives, and diversified affinity activities have sparked significant demands for children’s sports equipment. Parents are enthusiastic about fostering parent-child relationships through outdoor activities, thereby propelling the exponential growth of the children’s outdoor sports market. Moreover, as kids’ wear consumption evolves, the market is seeing more diverse product demands, including higher expectations for functionality and comfort. Therefore, children’s sportswear has become the most promising new sector in the industry.

In response to the new market conditions and opportunities arising from the national policy focused on consumption-driven development, the Group persists in positioning itself as a “professional, youthful, and internationalised” brand. We are dedicated to enhancing the functionality and professionalism of our sports products through increased investments in technological R&D. Our goal is to establish ourselves as the “Youth Sports Expert” and actively cultivate a youthful brand image. Furthermore, we actively participate in international sports events and strengthen international cooperation to enhance the global influence of our brand. Staying true to our founding ideals, the Group maintains a deep passion for the sports industry, and is committed to actively contributing to its development and the promotion of human health.



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 establishment in 2003, 361° has embodied the brand spirit of “ONE DEGREE BEYOND” (多一度熱愛), dedicating itself to becoming 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 strategic approach caters to 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, upholding the brand spirit of “ONE DEGREE BEYOND” (多一度熱愛) of the 361° brand. With the brand motto “CHASING YOUR LOVE!” (熱愛吧·少年!), it positions itself as the “Youth Sports Expert” (青少年運動專家), focusing on the children and adolescents’ sports market.

The Group maintains its brand positioning of “professional, youthful, and internationalised”, directing resources towards cultivating the 361° brand. By utilising technology as the primary driver of continuous growth, the Group offers consumers high-value professional sports products for the mass market. At the same time, it penetrates new consumer segments, expands brand influence, and promotes business growth while satisfying the demands of its core customers.

MANAGEMENT DISCUSSION AND ANALYSIS

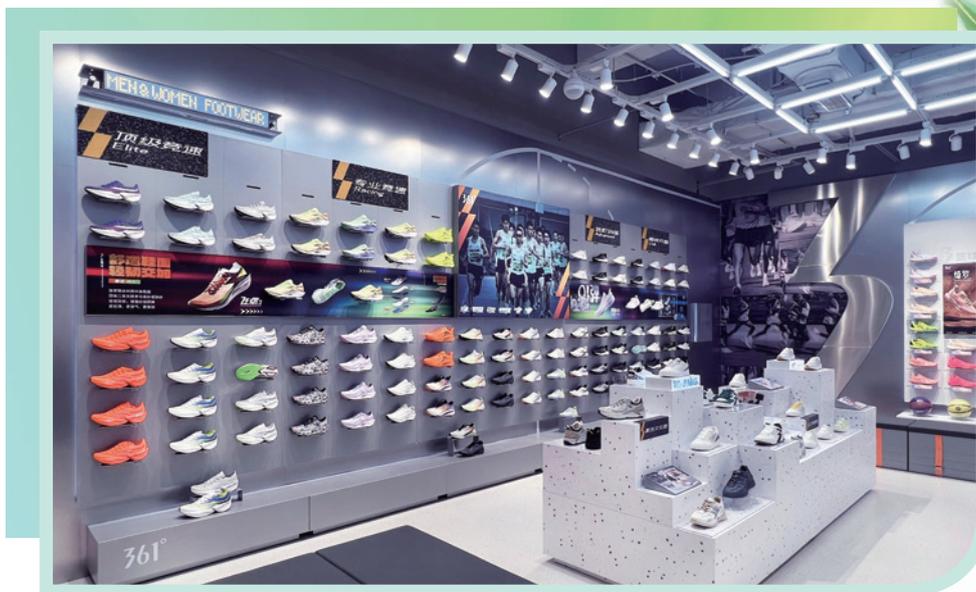
Efficient and Flexible Business Model

In its core operations, 361° manages 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. These distributors may, with approval from the Group's retail channel management department, either establish their own stores or distribute 361° 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 employs a systematic order management model that ensures efficient supply, transparent inventory, and stable retail prices. The Group organises four trade fairs annually to showcase new-season products, inviting all distributors and authorised retailers to participate. Orders from authorised retailers are consolidated by their respective primary distributors and submitted uniformly to the Group. Upon receiving orders, the Group reviews them 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 take place approximately six months before the launch of the relevant new products, ensuring sufficient time for production and delivery, effectively enhancing visibility for sales performance. During the period under review, the Group hosted two 361° brand product trade fairs, including the 2024 Winter Trade Fair and 2025 Spring Trade Fair. The number of orders from these two trade fairs achieved solid growth, primarily driven by increased order volumes.

Since the post-pandemic era, the Group continues 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, Douyin, 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 at 30 June 2024, the Group had a total of 5,740 361° branded stores, with an average store area of 143 m², representing a net increase of 5 m² as compared to 31 December 2023. Geographically, approximately 75.7% of the stores were in third- and lower-tier cities in China, while 5.1% and 19.2% of the stores were in first- and second-tier cities respectively. The Group encourages its distributors and authorised retailers to expand 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 2024, 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 to providing the best shopping experience for consumers, capitalising on new consumer preferences and new trends in consumption habits. As of 30 June 2024, the number of the latest ninth-generation image stores under the 361° brand increased to 4,249, accounting for 74.0% of the total number of the Group's stores,

representing an increase of 9.5% as compared to 31 December 2023. These ninth-generation image stores adopted light and simple decorations with various props, enriching the shopping experience while also reducing the decoration cost and 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 prioritised the holistic development of its physical stores, online e-commerce operations and new retail channels to upgrade the omni-channel consumption experience. During the period under review, the smart-retail system for physical stores was 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 rates.

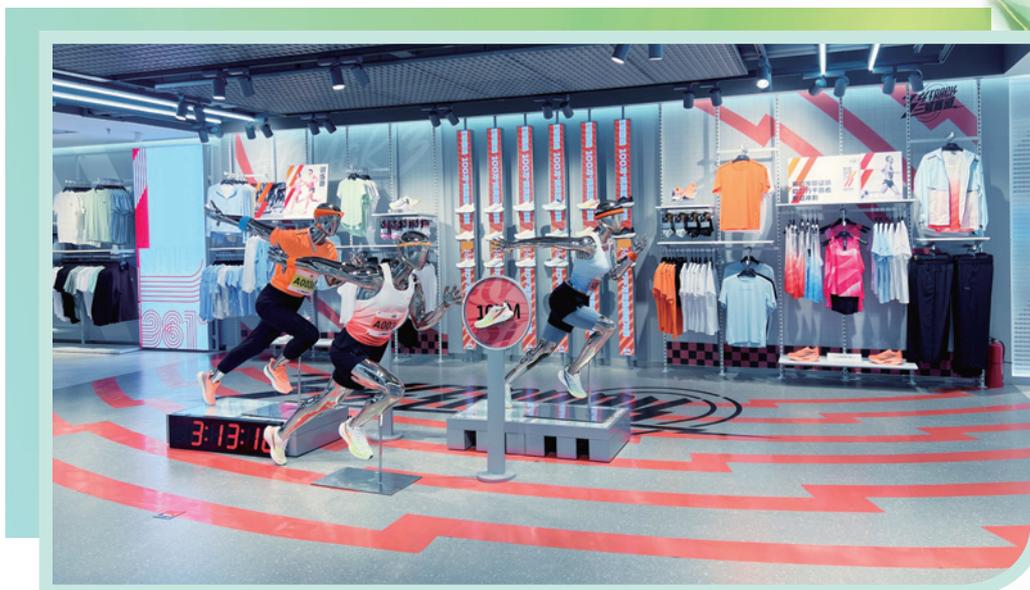
MANAGEMENT DISCUSSION AND ANALYSIS

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

	As at 30 June 2024		As at 31 December 2023	
	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⁾	1,112	19.4	1,117	19.5
Southern region ⁽²⁾	649	11.3	654	11.4
Western region ⁽³⁾	1,305	22.7	1,287	22.4
Northern region ⁽⁴⁾	2,674	46.6	2,676	46.7
Total	5,740	100	5,734	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.



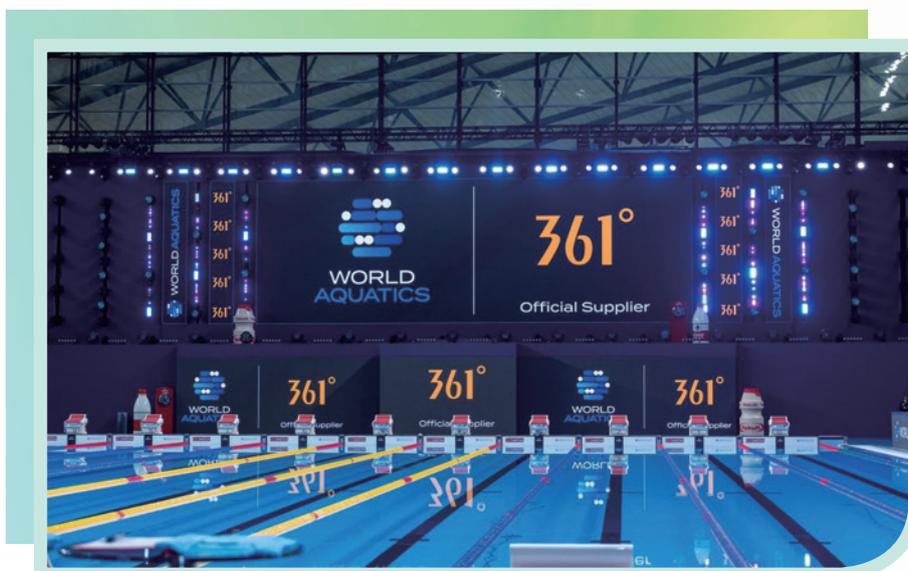
MANAGEMENT DISCUSSION AND ANALYSIS

Brand Promotion and Marketing

The brand resource matrix of 361° is rooted in professional sports and has gradually evolved to encompass a matrix-style development model comprising major sports 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 enhance the brand's stature.

361° has demonstrated its commitment to expanding and empowering the sports industry through strategic sponsorships. Having sponsored four consecutive Asian Games, 361° continues to collaborate with international sports events to accelerate expansion and empower new developments in the sports industry. In February this year, 361° commenced a long-term partnership as the official sportswear supplier for the World Aquatics starting with the World Aquatics Championships — Doha 2024. This inaugural collaboration with World Aquatics includes supplying sports gear such as sportswear, footwear, and accessories for the World Aquatics Championships — Doha 2024 to organisers, technical officials, organising committees/committees and volunteers, etc., showcasing the strength of the Chinese sports brand. In April 2024, 361° solidified its role as the official partner for the 9th Asian Winter Games Harbin 2025, aiming to enhance the event's success and promote enthusiasm for winter sports, and to drive the development of the sport across Asia and even the world. Through these partnerships, 361° continues to elevate its brand value on the global stage. In the future, 361° remains dedicated to uniting the passion of China in sports 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. During the period under review, 361° sponsored a total of three domestic marathon events: it served as the global official partner and designated sportswear supplier for the 2024 Zheng-kai Marathon, the honorary sponsor for the 2024 Qingdao Marathon and the strategic partner for the 2024 Qinhuangdao Marathon. Our professional sports prowess and well-established running ecosystem have supported thousands of runners in pursuing their dreams on the running path. Furthermore, 361° has established the "CQT Carbon Critical Running Professional Matrix" (CQT碳臨界跑步專業矩陣), assisting millions of runners to sprint on the track. During the 2024 Xiamen Marathon in January 2024, popular running shoes, including the "Flying Flame 3" (飛燃3) and "Furious Future 1.5" (飛騰Future 1.5), gained widespread recognition among runners, with "Sub-3 runner" adoption rate increasing to 17.2%, achieving double growth. In March 2024, at the Lake Biwa Marathon 2024 in Japan, 361° running ambassador GUAN Yousheng (管油勝) won the championship over numerous Japanese elites with the support of "Flying Flame 3" (飛燃3), the professional marathon running shoe. This is a testimony of 361°'s dominance in the running arena. In March 2024, at the 2024 Seoul Marathon, a World Athletics Platinum Label event, 361° signed elite runner Kassie Derseh KINDIE achieved a record of 2 hours, 7 minutes and 21 seconds while wearing the "Furious Future 1.5" (飛騰Future 1.5). This is a new record for 361° and marking the entry of 361° running shoes into the "207 era". As a result of the impressive performances of Marathoners, 361° has solidified its professional image in the running field.



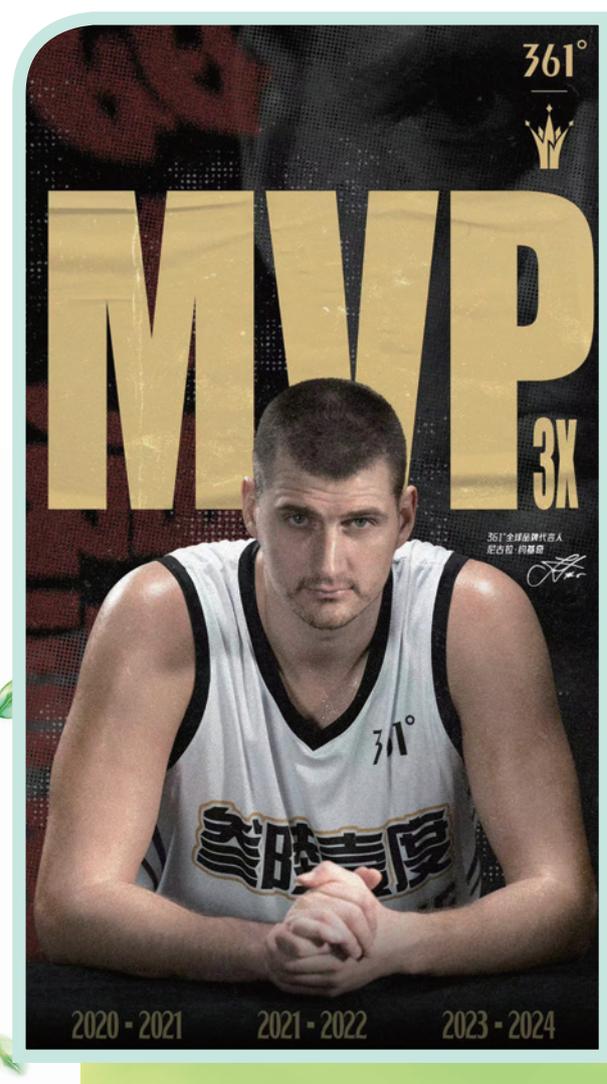
MANAGEMENT DISCUSSION AND ANALYSIS

The 3# Track — 10 Kilometres Race is 361°'s proprietary IP, focusing on professional racing as its core. Designed for elite runners pursuing speed, the 3# Track — 10 Kilometres Race has become one of the most well-known events domestically, with its increasing influence within the running community in recent years. During the period under review, the 3# Track — 10 Kilometres Race underwent upgrades by reforming the race system and optimising the race experience to gradually enhance its influence among serious and elite runners, leading to an unprecedented surge in registrations. The 10 sessions of the 3# Track — 10 Kilometres Race took place in core cities where the Group operates its core businesses, including Shijiazhuang, Chengdu and Dezhou. Held in May 2024, Dezhou relay is the first road race that provided participants with an immersive road running experience, marking 361° as the first domestic sports brand to organise a proprietary IP road race. Leveraging its resources and expertise in organising races, 361° has established several professional running communities and created a nationwide regional “3# Track” (三號賽道) running community alliance. Following the opening of the first “3# Track CLUB” (三號賽道俱樂部) store in Xiamen, the second store officially debuted in Qinhuangdao during the 2024 Qinhuangdao Marathon. Committed to providing companionship and encouragement, 361° offers runners a full range of services and a comprehensive running experience, enabling the brand to deeply penetrate the running community.

In the basketball sector, 361° has focused on deepening its brand development by leveraging ambassador resources to accelerate our global brand expansion. During the period under review, 361° signed a contract with Kentavious CALDWELL-POPE as our basketball ambassador. He became the fourth international player to sign a contract with 361°, following Nikola JOKIĆ, Aaron GORDON and Spencer DINWIDDIE. In February 2024, 361° unveiled a new personal Icon for global brand ambassador Nikola JOKIĆ, along with his exclusive BIG3 FUTURE “獵人很行” PE basketball shoes, which

made their official debut at the NBA All-Star Game. With Nikola JOKIĆ involved in the design of his personal Icon, 361° will continue to tailor exclusive signature shoes, as well as apparel, accessories, and other personal product lines, based on his unique characteristics. In May 2024, Nikola JOKIĆ was announced as the “Kia NBA Most Valuable Player in the 2023-24 regular season”, which is his third time receiving this prestigious accolade within four years. The collaboration between 361° and our ambassadors impresses our professional image in the public.

In July 2024, Spencer DINWIDDIE, as an ambassador for 361°, launched the 7-day event “Full Power 2024 China Tour” across six cities, providing close interactions with the consumer base to solidify the fan base, further enhancing the brand’s professional image.



MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the Group has also achieved success with its proprietary basketball event, "Light Up" (觸地即燃), which has motivated numerous players and teams and enhanced its influence in the basketball community. The 2024 season of the "Light Up" (觸地即燃) event featured four major series: the National Series, Overseas Series, Zone Series, and Regional Series. During the period under review, "Light Up" (觸地即燃) events were hosted in Shenzhen, Dongguan, Xuzhou, and Lianyungang, which attracted grassroots basketball talents from various regions, providing opportunities for basketball enthusiasts to showcase their skills. Expanding into overseas markets, the "Light Up" (觸地即燃) series has achieved global reach, further elevating the international influence of the 361° brand. In April 2024, the 361° Light Up league successfully concluded its 5-day tour to the United States, during which the members attended the renowned Devin Williams training camp and engaged in competitive skills exchanges with players from the Long Beach State University Athletics at NCAA, as well as Ballislife. This marked the first time a Chinese sportswear brand to market its own-branded sports event overseas after the pandemic. In May 2024, the 2024 "Light Up" (觸地即燃) series was inaugurated in Nanchang, including an overseas series for the first time, promoting our own-branded sports event on a broader global stage. In the meantime, the 2024 "Light Up" (觸地即燃) series continued its junior version, providing a platform for young basketball dreamers to showcase their talents. The event expanded its hosting city coverage to prefecture-level cities. This regional expansion has solidified our position as a leading community-level basketball event in China. Furthermore, in the new season, the event collaborated extensively with a renowned domestic urban artist, Zhang Hehe (張呵呵), to upgrade the visualisation of the tournament. By incorporating trendy art elements favoured by the younger generation, we co-created an exclusive basketball culture for "Light Up" (觸地即燃), releasing the unique charm of the interaction between the basketball culture and urban art.

Regarding sports fashion, 361° has been actively expanding into new sports tracks to strengthen connections with the younger generation. In January 2024, 361° introduced the "Weekend Lightweight Adventure Series" (輕野系列), a new lightweight outdoor product line, accompanied by the release of a video titled "Lightweight Adventure in the Wild World" (《大世界 輕野行》). This campaign invites consumers to break free from the constraints of time and space and enjoy a healthy and lightweight lifestyle. In May 2024, 361° launched its "Sunblock Challenge" (晒不服) campaign, marking its entry into the sun-protection market. The campaign swiftly went viral beyond its own industry due to its engaging and entertaining content. In collaboration with over 120 outdoor sports enthusiasts across five cities, this campaign took the lead in capturing the outdoor sun-protection market, which has expanded the brand's influence beyond the outdoor activity community. In June 2024, the "Meet Up on Skateboards" (板上見) event was successfully held in Shijiazhuang and Shenyang, with 361° brand's skateboarding ambassador GAO Qunxiang (高群翔) and designer Panda Mei (梅涸林) attending the inaugural event. By cultivating friendship through the skateboarding culture, our brand has entrenched its presence in the young consumer demographic, further strengthening our position as a youth-oriented brand.



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As for women's training products, during the period under review, 361° launched its own-branded event, "Women's Fitness Gym" (女子健身局), targeting offline communities in cities such as Dongguan, Chengdu, Xiamen, Weifang, Hangzhou, and Jinan, among which the "Love Energy" (戀能) series received overwhelming acclaim. In May 2024, 361° partnered with KEEP to initiate the "2024 Resilient and Active Party" (2024韌性好動派對), which aims to inspire women's independent power by integrating sports into everyday life. The event offered various interactive activities, such as workout sessions, interactive check-in challenges, and sports apparel and gear matching, and stimulated a deep resonance among consumers, efficiently driving user conversion.

With the 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. In March 2024, 361° joined forces with Tmall for its brand membership day, hyping up the release of the DuckYo co-branding product line. With the online marketing centred around the hashtag #Duck the Pressure# (踩住鴨力), we offered emotional value and social networking experience to 361° members. Following the successful reception of the DuckYo collaboration, subsequent IP co-branding products, such as Bored Ape (無聊猿) and the SMURFS, also gained popularity among consumers. During the period under review, the Group achieved strong sales performance through collaboration with various well-known IPs. In terms of co-branded IP collaborations, 361° has been exploring innovative cross-over models with brands, IP owners and designers, injecting endless creativity into product designs.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Sponsorship period	Location	Sports events	Capacity
2022-2024	China	Zheng-kai Marathon	Global official partner
2023-2024	The UK	Liverpool Half Marathon	Major Sponsor
2023-2024	Germany	Wiesbaden Marathon	Official Partner
2023-2024	Germany	Berlin Marathon	Exhibitor
2023-2024	Germany	München Marathon	Exhibitor
2023-2024	Germany	Mainova Frankfurt Marathon	Exhibitor
2023-2024	France	Paris Star 10km Race	Sponsor
2023-2024	The UK	The ROC Triathlon	Running Shoe Partner
2023-2024	Switzerland	Allgäu Triathlon	Exhibitor
2023-2025	The US	Surf City Marathon	Major Sponsor
2023-2026	Spain	Palma de Mallorca Marathon	Major Sponsor
2024	China	Qinhuangdao Marathon	Strategic Partner
2024	The US	OC Marathon	Official Footwear Sponsor
2024	Spain	Valencia Marathon	Exhibitor
2024	Spain	Malaga Marathon	Exhibitor
2024	Cyprus	Cyprus Marathon	Exhibitor
2024	Germany	Cologne Marathon	Exhibitor
2024	Germany	Challenge Roth Triathlon	Exhibitor
2024	Germany	Hamburg Triathlon	Exhibitor
2024	Italy	Embrunman Triathlon	Exhibitor
2024	Spain	Zugspitze Trail Running	Exhibitor
2024	The US	Court Kingz National Tour	Major Exhibitor for Basketball Event
2024-2026	China	Qingdao Marathon	Honourary Sponsor
2025	China	The 9th Asian Winter Games Harbin 2025	Official Partner

The following table sets out all the organisations and institutions in collaboration with the Group during the period under review:

Names of organisations and institutions	
Olympic Council of Asia	Official Partner
World Aquatics	Official Sportswear Supplier

MANAGEMENT DISCUSSION AND ANALYSIS

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

Name of sporting team	
China National Triathlon Team	China National Women's Water Polo Team
China National Karate Team	China National Handball Team
Kyrgyz Delegation	Tajik Delegation
Turkmen Delegation	Guangdong Provincial Swimming Team
Tianjin Municipal Swimming Team	Swimming and Diving Sports Centre of Hebei Provincial Sports Bureau
Shandong Tieshan Triathlon Team	Heilongjiang Ice Hockey Team (Ice Hockey Team of Harbin Institute of Technology, Feihe Youth Ice Hockey Team)
Beijing Xiannongtan Sports Technology School	Beijing Muxiyuan Sports Technology School

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

Athletes

Name of spokespersons	Sports	Key achievements in recent years
Bahetaer Wulazaiil 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
FENG Dan 馮丹	Running	1st in Women in the 2024 Chongqing Hechuan Half Marathon 3rd in Women in the 2024 Qinhuangdao Marathon
GUAN Yousheng 管油勝	Running	1st in Men in the 2024 Xingyi Wanfenglin Half Marathon 1st in Men in the 2024 Lake Biwa Marathon in Japan 1st in Men of China in the 2024 Nanjing Half Marathon 2nd in Men in the 2024 Yueyang Marathon 1st in Men in the 2024 Suzhou Marathon 1st in Men in the 2024 Qinhuangdao Marathon 3rd in Men in the 2024 Zunyi Wujiangzhai Super Long Run 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

MANAGEMENT DISCUSSION AND ANALYSIS

Name of spokespersons	Sports	Key achievements in recent years
LI Bo 李波	Running	<p>3rd in Men in the 2024 Qujing Luoping Marathon with Grand Blossom</p> <p>1st in Men in the 2024 Hechuan Diaoyucheng Half Marathon</p> <p>1st in Men of China in the 2024 Binzhou Half Marathon</p> <p>1st in Men in the 2024 Gaoping Half Marathon</p> <p>1st in Men of China in the 2023 Nanchang Marathon</p> <p>2nd in Men of China in the 2023 Chengdu Marathon</p> <p>1st in Men of China in the 2023 Ha'erbin Marathon</p> <p>1st in Men in the 2023 Baoji Marathon</p> <p>2nd in Men of China in the 2023 Chongqing Marathon</p> <p>1st in Men in the 2023 Yongchuan Half Marathon</p> <p>2nd in Men in the 2022 Macao International Marathon</p> <p>1st in the 2022 Cuiyunshan SnowRun Challenge Race</p>
LI Zicheng 李子成	Running	<p>4th in Men of China in the 2024 Xiamen Marathon</p> <p>1st in Men of China in the 2024 Jinji Lake Half Marathon</p> <p>1st in Men of China in the 2024 Ninghai Half Marathon</p> <p>2nd in Men of China in the 2024 Chongqing Marathon</p> <p>1st in Men in the 2024 Changdao Island Marathon</p> <p>1st in Men in the 2023 Yantai Marathon</p> <p>1st in Men in the 2023 Xuwei Marathon</p> <p>1st in Men of China in the 2023 Changxing Marathon</p> <p>1st in Men in the 2022 Hengdian Marathon</p> <p>1st in Men in the 2022 Ningbo Marathon</p> <p>1st in Men in the 2022 Taihu Lake Tuying International Marathon</p> <p>1st in Men in the 2022 Tonglu Half Marathon</p>
MA Liangwu 馬亮武	Running	<p>1st in Age Group of the 2019 C&D Xiamen Marathon</p> <p>1st in Age Group of the 2019 Chengdu Panda Marathon</p> <p>1st in Age Group of the 2019 Dongfeng Renault Wuhan Marathon</p>
WANG Jiawei 王加威	Running	<p>1st in Men in the 2024 "Land of Jasmine in China" Leshan Qianwei Half Marathon</p> <p>2nd in Men in the 2024 Leshan Half Marathon</p> <p>2nd in Men in the 2024 Guizhou Nayong Mountain Trail Half Marathon with the theme of "Meeting at Qiangganyan and Crossing Jiudongtian"</p> <p>3rd in Men in the 2024 Sinan Circle Wujiang Half Marathon</p>

MANAGEMENT DISCUSSION AND ANALYSIS

Name of spokespersons	Sports	Key achievements in recent years
ZHANG Shuihua 張水華	Running	1st in Women of China in the Zheng-kai International Marathon 2024 3rd in Women in the 2024 Xiangshan Marathon 2nd in Women in the 2024 Qinhuangdao Marathon 1st in Women of China in the 2023 Suzhou Taihu Lake Marathon 1st in Women of China in the 2023 Chengdu Marathon 2nd in Women of China in the 2023 Xuzhou Marathon 2nd in Women in the 2023 Nanchang Half Marathon 1st in Women of China in the 2023 Zhoushan Islands Marathon 3rd in Women of China in the 2023 Shaoxing Marathon 2nd in Women of China in the 2023 Jinjiang Marathon 2nd in Women in the 2023 Fuzhou Half Marathon 2nd in Women of China in the 2023 Shantou Marathon 2nd in Women of China in the 2023 Shenzhen Bao'an Half Marathon
Aaron GORDON	Basketball	International basketball superstar A player of The NBA Champions for 2022-2023 season
Kentavious Tannell CALDWELL-POPE	Basketball	International basketball superstar A player of The NBA Champions for 2019-2020 and 2022-2023 seasons
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 JOKIĆ	Basketball	International basketball superstar A player and FMVP of The NBA Champions for 2022-2023 season MVP of the regular season for the 2020-2021, 2021-2022 and 2023-2024 NBA season
Spencer DINWIDDIE	Basketball	International basketball superstar Champion of the 2017-2018 NBA season All-Star Skills Challenge

MANAGEMENT DISCUSSION AND ANALYSIS

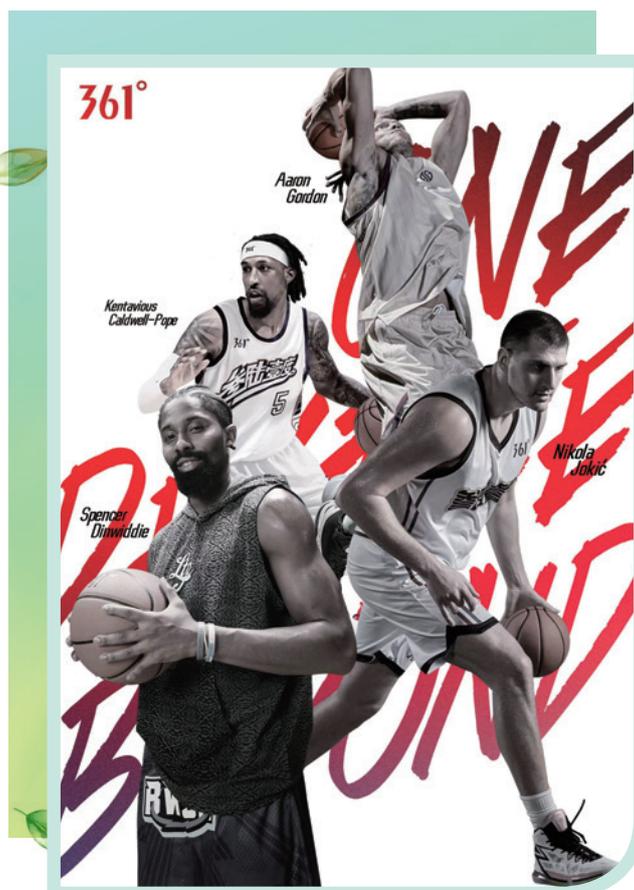
Name of spokespersons	Sports	Key achievements in recent years
LI Mengwen 李夢雯	Football	A player of the champions of 2022 AFC Women's Asian Cup One of the recipients of the silver medal in women's football at the 2018 Asian Games in Jakarta
JIANG Wenwen 蔣文文 and JIANG Tingting 蔣婷婷	Artistic swimming	World 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
XIONG Dunhan 熊敦瀚	Water polo	Champion in Women's Water Polo of the 19th Hangzhou Asian Games
Adam BOWDEN	Running	21st in the 2024 London Marathon 10th in the 2024 Belfast Marathon 6th in the 2024 Newport 10KM Race
Alessandro GIACOBAZZI	Running	Champion of the 2022 Italian Marathon
Ben CLARIDGE	Running	2nd in 1km Time Trial at Podium Festival 2024
Jebet Ruth ALBERT	Running	1st in Naoguazi Group (腦瓜子組) at the Zhengkai International Marathon 2024 1st in Women in the 2023 Mersin Marathon
Kassie Derseh KINDIE	Running	7th in Men in the 2023 JTBC Seoul Marathon 12th in Men in the 2023 Valencia Marathon
Sisay Meseret GOLA	Running	7th in Women in the 2024 Rotterdam Marathon 2nd in Women in the 2022 Seville Marathon
Donald HILLEBREGT	Triathlon	20th at the 2024 E World Triathlon Championships London 5th at the 2024 Africa Triathlon Premium Cup Nelson Mandela Bay 14th at the 2024 Oceania Triathlon Cup Wanaka
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))
Riccardo BRIGHI	Triathlon	An Elite Triathlete

MANAGEMENT DISCUSSION AND ANALYSIS

Name of spokespersons	Sports	Key achievements in recent years
Thomas CREMERS	Triathlon	5th in the 2024 Europe Triathlon Powerman Middle Distance Duathlon Championships Alsdorf 16th in the 2024 Europe Triathlon Duathlon Championships Coimbra 1st in the 2024 NED Sprint Duathlon National Championships 2nd in the 2024 NED Middle Distance Duathlon National Championships
Tom OOSTERDIJK	Triathlon	15th in the Ironman Lanzarote 2024 17th in the Girona — Spanish Long Distance Championship 2021 (140.6 Miles) Champion in the Age Group of the Ironman New Zealand 2020
James MEDINA	Basketball	An elite basketball player

Celebrities

GONG Jun 龔俊	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 period under review, 361° Kids business recorded a revenue of RMB1,131.6 million, accounting for approximately 22.0% of the Group's total revenue, representing a year-on-year increase of 24.2%.

361° Kids continues to carry forward the brand ethos of "ONE DEGREE BEYOND" (多一度熱愛) of the 361° brand. With the brand statement "CHASING YOUR LOVE!" (熱愛吧, 少年!), 361° Kids positions itself as the "Youth Sports Expert" (青少年運動專家), concentrating on the children and adolescents sports market. With a strong commitment to meeting the diverse needs of sporting goods for children and adolescents, 361° Kids continually expands its product series, improving sports functionality, technological attributes, and expanding sales channels. These efforts have led to steady growth in the kids' sportswear segment, solidifying its leading position in the kids' sportswear market in China.

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. The growing proportion of professional sporting goods is finely tailored to match the sporting lifestyles of children and teenagers. Recognising the potential in the youth sports market, 361° Kids has widened its product line to cover the 16-year-old age group by launching the "YOUNG" product line to cater to their needs. Leveraging the influence of basketball ambassador Spencer DINWIDDIE, 361° Kids introduced the popular basketball shoe "Drift 1.0" (漂移1.0), which integrates technology into professional sports requirements to enhance brand strength and market specialisation. It also upgraded and incorporated leading technologies, introducing new products equipped with cutting-edge technology, such as "FUNFAZE 4.0" (彈力簧跑鞋4.0), "Tornado" basketball shoes (颶風籃球鞋), and "Leaping Antelope 5.0 Rope Skipping Shoes" (閃羚5.0跳繩鞋), thereby diversifying our product mix.

Furthermore, in response to the demands of professional sports segments, 361° Kids launched products such as yoga pants, competition sets, and sun-protection apparel, thereby establishing a leading position in consumers' impression of professional sports products and cultivating a professional sports image. In terms of technology applications, 361° Kids actively introduces innovative sports technologies such as lightweight oxygen technology, tornado-like technology, cocoon resilience technology, and anti-torsion 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. As for playfulness and trendy elements, 361° Kids continued to launch bestsellers, including Superpower shoes, Crystal shoes, and Shark shoes.

As at 30 June 2024, there were a total of 2,550 points-of-sale offering 361° Kids products, with an average store area of 108 m², representing an increase of 5 m² as compared to the end of 2023. Among those, 362 points-of-sale were located at 361°'s authorised retail stores, selling both 361° brand products and 361° Kids products. Geographically, approximately 68.4% of the points-of-sale were located in third-tier and lower-tier cities in China, while 6.5% and 25.1% were located in first- and second-tier cities in China, respectively. As of 30 June 2024, the number of the fourth-generation image stores of 361° Kids increased to 2,274, representing 89.2% of the total number of 361° Kids stores, showcasing a 2.5% increase from 31 December 2023. In April 2024, 361° Kids unveiled its latest fifth-generation image store, which features enhanced image quality and a more streamlined space, solidifying its positioning as an expert in youth sports. The new fifth-generation image stores integrate the brand's signature colour, orange, into the spatial design to enhance visual impression. In terms of design, the use of rich material layers creates a close connection between the products and the space, highlighting the overall style.



MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2024		As at 31 December 2023	
	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⁾	502	19.7	506	19.9
Southern region ⁽²⁾	363	14.2	365	14.3
Western region ⁽³⁾	532	20.9	518	20.4
Northern region ⁽⁴⁾	1,153	45.2	1,156	45.4
Total	2,550	100	2,545	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
2024-2025	DU Tingting 杜婷婷	Rope Skipping Product Recommender of 361° and 361° KIDS

Sports events sponsored by 361° Kids during the Period:

Sponsorship period	Host country	Event	Capacity
2024	Japan	Asian Rope Skipping Championships 2024	Exclusive title sponsor

During the period under review, 361° Kids brand hosted two trade fairs, which were the 2024 Winter Trade Fair and the 2025 Spring Trade Fair. The number of orders from these two trade fairs achieved solid growth, primarily driven by increased order volumes.

MANAGEMENT DISCUSSION AND ANALYSIS

361° Kids demonstrated effective synergy between brand resources and consumers through 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 seven city finals. Renowned domestic and international experts, along with members of the 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. Following the inauguration of the “361° China Rope Skipping Proficiency Assessment — Jinan Area (361°中國跳繩段位制考評活動-濟南站)” in March 2024, hundreds of young rope skipping enthusiasts were attracted and gathered with fervour in Jinan, where a team of experts from the National Rope Skipping Promotion Committee conducted authoritative assessments. The coach of the Chinese National Rope Skipping Team and champions of Chinese National Rope Skipping Team were present to support young rope skipping enthusiasts to achieve new heights.

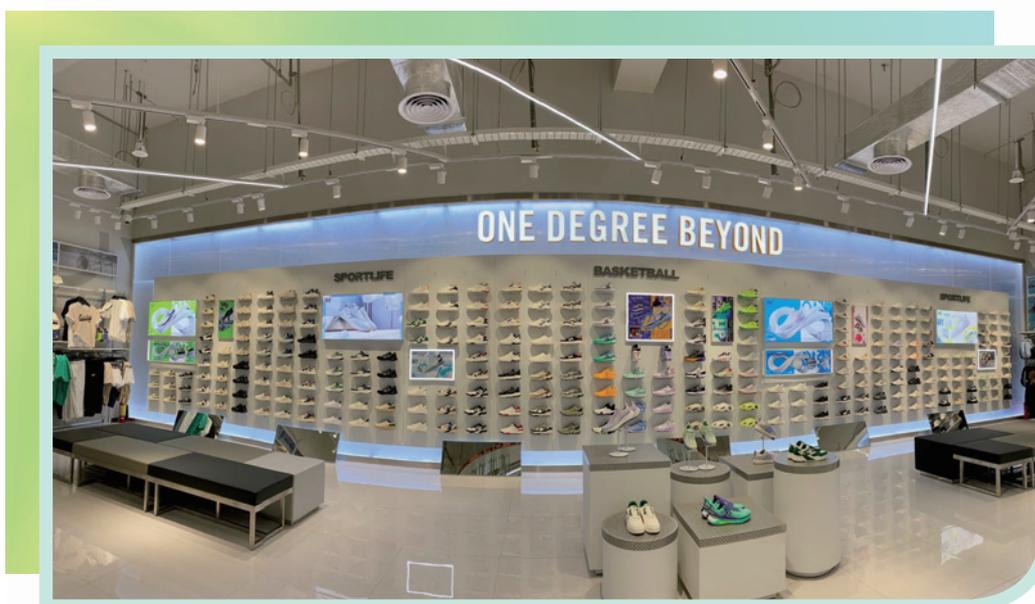
Meanwhile, leveraging its abundant resources and extensive experience in organising proprietary IP events, 361° Kids launched the “Light Up — Junior Basketball Training Camp” (觸地即燃·少年籃球訓練營) and organised the “Light Up — Junior Basketball Game” (觸地即燃·少年籃球賽事). In 2024, building upon the positive feedback on the “Light Up — Junior Basketball Training Camp” (觸地即燃·少年籃球訓練營), 361° Kids has expanded the geographic location and scale of its activities to another four cities, namely Nanchang, Jinan, Zhengzhou, and Chengdu in the first half of the year. In the second half of 2024, the camp will be expanded to four additional cities, namely Shenyang, Changsha, Shijiazhuang, and Kunming. Through these training camps, 361° Kids aims to promote the popular products, boosting online and offline sales. Our social media content will help enhance customer stickiness and brand reputation and elevate the professionalism and influence of 361° Kids basketball offerings.

In July 2024, as the official partner of China National Rope Skipping Team, 361° assisted the national team in winning a total of 144 medals (comprised of 65 gold, 43 silver and 36 bronze) at the Asian Rope Skipping Championship 2024. They topped both the gold medal and overall medal standings, also securing seven team championships and breaking 15 Asian records. 361° actively promotes the development of youth rope skipping sports in a bid to help Chinese athletes pursue dreams on the world stage.

361° International Business

During the period under review, the Group had 1,297 points-of-sale in overseas markets, covering regions such as the Americas, Europe, and regions alongside the Belt and Road Initiative, and the 361° international business recorded revenue of RMB73.2 million, accounting for approximately 1.4% of the Group’s total revenue.

Since 2015, the Group has taken a proactive approach by initiating its overseas expansion strategy, strategically positioning itself in international markets to enhance brand recognition worldwide. Currently, 361° products have gradually gained a reputation in overseas markets. Officially launched in April 2024, the 361° international e-commerce independent website operates as a new platform for consumers across the globe to explore and learn about 361° product offerings, further refining the Company’s internationalisation strategy. In 2024, the Group will continue to prioritise the steady development of overseas markets, by actively strengthening its foothold in the Americas, Europe, 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 the overseas markets.



MANAGEMENT DISCUSSION AND ANALYSIS

The outstanding performance of international products under the 361° brand has garnered international acclaim, rivalling that of well-established global brands. Over the years, various international awards have recognised the exceptional quality of 361° products. During the period under review, as products continue to garner more endorsements, their excellent performance gains increasing recognition in the global arena.

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

May	The international product Kairos 2 was included in the list of winners under the “Exercises Sports” and “Innovation” categories by “FIT Sport Design Awards” in Switzerland.
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E-Commerce Business

During the period under review, the Group’s revenue from the online-exclusive products of the e-commerce business amounted to RMB1,252.7 million and accounted for approximately 24.4% of the Group’s total revenue, representing a year-on-year increase of 16.1%.

Our e-commerce business serves as a versatile platform, playing a vital role as both a significant product sales channel and a major platform to build our brand image. 361° aims to offer products that “boast appealing aesthetics, advanced technology, and exceptional value” through its e-commerce channels, responding promptly to consumer trends to meet their needs. With in-depth insights into

consumer habits and a quick response to consumer demands, the Group has placed strong emphasis on developing its e-commerce channels and promoting digitalisation. As a result, 361°’s online sales have experienced continuous high-speed growth, becoming a core driver of its business performance expansion.

361° realises the refined management of e-commerce business, continuously enhancing brand value, product strength, and marketing capabilities to bolster its core competitiveness over the years. The Group has intensified synergy across its resources to align with the fast-paced nature of e-commerce operations, fostering rapid development in areas such as product innovation, supply chain management, marketing strategies, and logistics. Regarding products, the Group is dedicated to launching distinctive



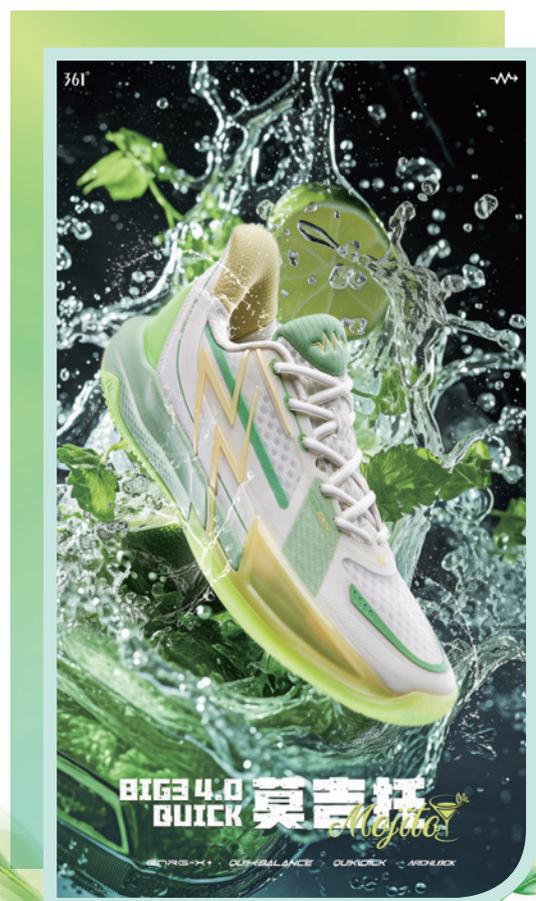
MANAGEMENT DISCUSSION AND ANALYSIS

offerings exclusively online alongside its offline products. Through big data analysis of market preferences, precise development of online-exclusive products is prioritised, whereby we capitalised on opportunities presented by various online sales seasons to launch selected items and bestsellers, creating a sales frenzy that enhances interaction between offline and online sales channels. Continuous investments in technology, materials, and design aim to elevate product quality and design. This strategic approach enriches the product range, catering to diverse consumer preferences and fostering synergy and empowerment between online and offline channels. Focused on enhancing core profit channels and operational capabilities, 361° has improved marketing efforts through multidimensional approaches. This includes focusing on various on-site and off-site platforms to increase target group penetration, enhancing content originality to boost brand influence and engage followers, and implementing vertical community marketing to nurture potential customers.

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 off-site traffic attraction tools to effectively promote the brand and products. Compared with physical stores, the e-commerce platform serves as a round-the-clock sales channel. Currently, the Group mainly offers online-exclusive products on these online platforms, with a small portion dedicated to assisting distributors and authorised retailers in reducing off-season inventory levels.

During the period under review, 361° actively seized opportunities presented by popular e-commerce festivals such as the “618” shopping festival, vigorously promoting trending and popular products to boost the brand popularity. During the “618” shopping festival, sales volume through e-commerce channels increased by 99%, ranking first in terms of growth rate in the industry. The omnichannel sales volume of popular products surged impressively, surpassing 240,000 units, marking a 167% year-on-

year growth, among which flagship store sales of these popular items also rose by 79% on a year-on-year basis. Throughout the nearly 30-day “618” period, 361° emerged as a prominent player, ranking among the top 5 of all footwear brands, and standing as the sole domestic brand on the top 30 list. The “Flying Flame 3” (飛燃3) even topped the chart as the best-selling professional marathon running shoe. In terms of basketball, during the “618” period, 361° specifically released new colour options, such as Red-velocity Comet (赤速彗星), Reverse (反轉), and Mojito (莫吉托), for the new series of basketball footwear including “BIG3 5.0” and “Light Up 4” (燃戰4), with sales of popular basketball footwear products ranking among the top 3 of domestic sports brands in the industry. During the “618” period, 361° also launched new products in collaboration with Nanci of Rolife, capturing attentions of young consumers and injecting a playful element into fashion attributes.



MANAGEMENT DISCUSSION AND ANALYSIS

Production

During the period under review, the Group maintained its production policy, emphasising a balanced approach between in-house production and outsourcing to original equipment manufacturers (“OEMs”) to optimise costs, production scheduling and safeguard intellectual property rights. Concerning footwear products, the Group increased manufacturing to approximately 38.0% of its footwear products at its two factories at Jiangtou and Wuli in Jinjiang, Fujian Province, the PRC, while the remaining portion is outsourced to quality OEMs. The Jiangtou factory houses 13 production lines and has an annual production capacity of approximately 11 million pairs of footwear products. The Wuli Industrial Complex in the Wuli Economic Zone houses 11 production lines with an annual production capacity of approximately 11 million pairs of footwear products. For apparel products, the Group operates production facilities in Jinjiang City, capable of producing approximately 20.0% of the Group’s products to meet the market demand whilst the production of the remainder is outsourced to other OEMs. The Group is committed to upgrading its supply chain system, continually enhancing market-responsive capabilities and efficient production costs control to support overall business development. In addition, the Group actively encourages its core suppliers to expand production capacity, optimise capacity distribution and relocate production facilities in a timely manner. Such efforts have effectively supported and guided the development and growth of supply chain partners, effectively addressing challenges like energy, recruitment, raw material costs and unforeseen events, thereby providing better and more stable production services to the Group. These collaborative efforts has enabled the Group and its supply chain partners to achieve synergetic development, establishing a long-term and solid strategic partnership that brings multilateral benefits for all stakeholders.

Research and Development

During the period under review, the Group’s expenditure on R&D accounted for 2.8% 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 advanced R&D capabilities and research facilities. The Company has been recognised with various titles such as a national advanced technology enterprise, national green factory, National Green Supply Chain Management Enterprise (國家級綠色供應鏈管理企業), exemplary unit of the national sports industry, national industrial design centre, national society service station, National Intellectual Property Advantage Enterprise (國家級知識產權優勢企業), “Innovation China” Doctoral Innovation Station (「科創中國」博士創新站) and provincial technology centre. This research centre supports the research and innovation experiments of intelligent sports equipment, structural sports equipment, functional sports equipment, and functional material R&D.



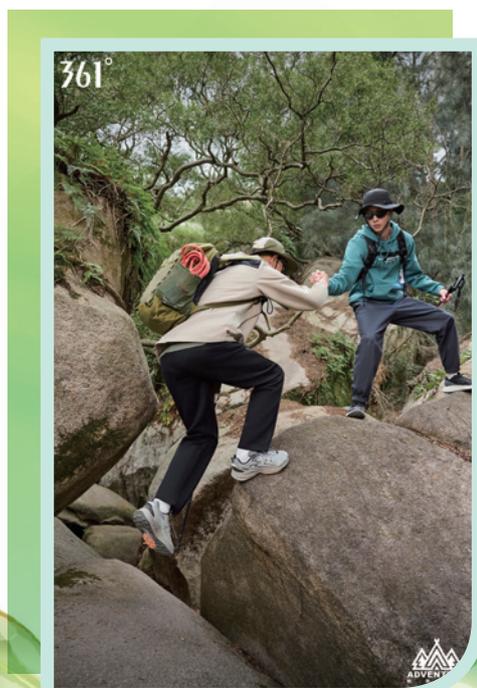
MANAGEMENT DISCUSSION AND ANALYSIS

By utilising technology as the primary driver of continuous growth, 361° strives for ultimate professionalism and cost-effective performance in its products. Through materials technology innovation, product matrix expansion, and sports science support, the Company continues to introduce new products and nurture stellar products. Launched in May 2024, the “Biospeed CQT FUTURE” (颯速FUTURE) running shoes by 361° seized early market opportunities in performance testing categories with sharp market insights. The “Biospeed CQT FUTURE” (颯速FUTURE) features full-length CQT EXTREME technology with nylon rough carbon-critical foaming for robust cushioning, an internal irregular carbon plate for flexibility and propulsion support, a breathable mixed-material upper for excellent ventilation, and a one-piece fabric reticulate RPU outsole for enhanced multi-directional anti-slip performance. In June 2024, the “Miro NUDE” (Miro NUDE 栗蜂) carbon plate running shoes was released, each weighing less than 110 grammes. Developed with Nylon PA12 Coarse Embryo by Evonik, these shoes achieve 90% energy rebound. They feature a built-in ultra-light carbon fibre plate for propulsion, along with a 100% carbon fibre upper that is lightweight, breathable, and comfortable.

In the basketball category, following the launch of the “BIG3 1.0” in March 2019, the BIG3 series has undergone multiple iterations and upgrades. In March 2024, 361° officially released the “BIG3 5.0 QUICK” basketball shoes. As the fifth-generation product, it has been comprehensively upgraded for enhanced sportiness and comfort, catering to the needs of guards and lightweight forwards with agile acceleration, earning acclaim as a “dynamic accelerator” on the court. In May 2024, 361° introduced the upgraded professional basketball shoes “BIG3 5.0 QUICK PRO”, designed to deliver exceptional performance and provide a professional player experience akin to NBA games. This product features a full-length CQT super-critical midsole with a rebound rate of over 75%, offering efficient rebound propulsion while maintaining lightness. It also incorporates the newly upgraded ETPU woven upper, featuring varying weaving patterns tailored for different positions to achieve a balance of comfort and support.

Furthermore, recognising the increasing consumer interest in travel and outdoor activities, 361° actively explored product development. 361° has introduced the “Weekend Lightweight Adventure Series” (輕野系列), which transcends the boundaries between outdoor, fashion and life scenarios to create a new balance. The “Weekend Lightweight Adventure” (輕野) series has been meticulously designed to meet the needs of lightweight outdoor activities, incorporating characteristics and elements of mountain and wilderness culture to strike a balance between protectiveness and sports comfort for its product line, which is empowered by technology to enhance lightweight wearability. This series embraces an active lifestyle, enriching daily life and fashion with a positive attitude, and offers consumers a reassuring and flexible outdoor sports experience. As summer approaches, 361° has keenly recognised the consumer demand for outdoor sun-protection and has therefore, proactively made investments in R&D and innovation. Addressing consumer concerns about sun-protection during the summer, the Company focused on sun-protection technology, fabric craftsmanship, and functionality to continuously enhance product performance. Launched in May 2024, the sun-protection apparel from the “Weekend Lightweight Adventure Series” (輕野系列) by 361° utilises the Company’s sun-protection technology based on original principles of sun protective yarn. It achieves an Ultraviolet Protection Factor (UPF) of 50+ and a UV-transmittance of less than 4.82%, offering robust sun-protection that effectively blocks over 95% of UV rays, safeguarding the skin from UV damage. Mesh panels on both sides of the apparel enhance ventilation during outdoor activities, preventing excessive sweating and ensuring continuous comfort. This provides outdoor enthusiasts with a relaxing and enjoyable wearing experience.

As of 30 June 2024, the Group obtained 562 patents with a total of 857 technicians engaging in R&D, comprising of 428 footwear research staff, 318 apparel research staff and 111 children and accessories R&D staff. The Group’s expenditure on R&D is expected to increase steadily as it has intensified efforts to carry out the product upgrading programme that combine functionality and design, aiming to create more distinctive products.



MANAGEMENT DISCUSSION AND ANALYSIS

Awards

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

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);
January 2024	361°, an official partner of Hangzhou Asian Games, was granted the Commercial Sponsorship Award by ECOTIME CONFERENCE; Nikola JOKIĆ, as one of 361° ambassadors, was awarded the Outstanding Sports Endorsement Award by ECOTIME CONFERENCE;
January 2024	The “Louvred Window (百葉窗)” biomimetic breathable apparel was awarded the Gold Prize in the Textile and Apparel category at the 1st Quanzhou High-Value Patent Competition (泉州市高價值專利大賽);
January 2024	361° Kids received the Outstanding Performance Award for Children’s Footwear Brand of the Year at the 9th Cherry Award (櫻桃大賞) 2023;
January 2024	The “Best Capital Market Communication Award” (最佳資本市場溝通獎) and the “Best IR Director Award” (最佳總監獎) at the 7th China Annual IR Award (第七屆中國卓越IR);
February 2024	361° was granted the Excellence Award at the 51st (2025 Spring/Summer) Chinese Popular Fabrics by China Textile Information Center and China Textiles Development Center;
March 2024	361° was awarded the 2024 Best Partner of the Year by the China Chemical Fibers Association;
March 2024	361° received the “Sports Shoes Innovative Frontier Award” at the 10th Aibang Polymer Shoe Material Industry Forum (艾邦高分子鞋材產業論壇) for innovations including “Flying Flame 3” (飛燃3), “Dual Hardness Irregular Carbon Plate” (雙硬度異形碳板), “CQTEXTREME”, and “Ultra-light Nylon 12-Embryo Super-critical Midsole at 0.08g/cm ³ ” (0.08g/cm ³ 的超輕尼龍12-胚模超臨界中底);
July 2024	The “Best IR Company”, the “Best IR Team”, the “Best Investor Meeting”, and the “Best IRO” in the small-cap category at the 10th Hong Kong Investor Relations Awards 2024.

Sustainable Development

361° has aggressively pursued solutions to reduce carbon emissions, improve energy efficiency, and promote renewable energy as part of our active response to the national “dual carbon” strategy. Besides taking the lead in proposing the “carbon capture” concept, we have released “CQT Carbon Critical Technology”, which efficiently utilises carbon resources and significantly enhances product performance.

In addition, the Group has built the “CQT Carbon Critical Running Professional Matrix” (CQT碳臨界跑步專業矩陣), enabling green and low-carbon development through technological empowerment. In particular, the CQT FLAME nylon particle supercritical foam process is applied to the “Flying Flame 3” (飛燃3) running shoes, which is based on critical physical foaming technology. It uses carbon dioxide instead of traditional nitrogen to facilitate material foaming through heating and pressurisation, achieving the carbon capture and consumption, as well as a balance between economic and environmental benefits under the green and environmental concept.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking ahead to the second half of 2024, the global economy is poised for stable growth, driven by a gradual shift towards looser monetary policies and significant momentum in global commodity trade. Driven by multiple factors such as policy guidance, industrial transformation and upgrading, and improvements in external demand, the Chinese economy is expected to continue the positive development momentum. Technological innovation, a key driving force for new quality productivity, is actively promoting efficient resource utilisation and economic model innovation, injecting new vitality into the optimisation and transformation of the Chinese sports industry, and propelling it towards higher quality and sustainability.

In July 2024, the highly anticipated Paris Olympics kicked off, sparking another wave of mass sports and fitness enthusiasm and directly boosting global sports consumption demand. In China, benefiting from the gradual implementation of the “Sports Power” and “Healthy China” strategies, the sports consumption market has effectively unleashed vitality for the long term. With the influence of the Paris Olympics radiating globally, the domestic sports consumption market will become even more prosperous. Meanwhile, in the era of high-quality development, the transformative impact of technological innovation is becoming increasingly prominent, which prompts sports equipment brands to place greater emphasis on technology empowerment and strengthen brand building from multiple dimensions, shaping a stronger brand image.

361° Group will adhere to its “consumer-centric” development philosophy and continuously deepen its “professional, youthful, and internationalised” brand positioning. We will strive to make “technology” the strongest pillar driving the Group’s continuous growth through relentlessly pursuing technological advancements and innovation to empower our products to enhance product competitiveness and consumer satisfaction. Furthermore, we will further improve our international strategic layout by strengthening the integration and expansion of overseas resources and leveraging cross-border e-commerce platforms to enhance international market recognition of our products and services. For our kids brand, we will introduce more innovative products that cater to the needs of adolescents. We will also leverage the synergies within our Group to strengthen our positioning as “Youth Sports Expert” and enhance our brand’s professional image, thus promoting sustained and steady growth in the kids’ sportswear business.

In terms of channel development, we recognise the potential of e-commerce platforms to boost business performance. We will focus on enhancing our brand value and product competitiveness to deepen our presence and operations in the e-commerce channel. Our goal is to establish a unique positioning on e-commerce platforms that better meets the diverse needs of consumers, thereby strengthening emotional connections with consumers and enhancing the core competitiveness of our brand. We will also seize the market opportunities brought by the Paris Olympics to fully leverage our omni-channel advantages across online and offline channels, further refine our international layout, elevate the international reputation of our brand and increase market share worldwide, ultimately driving our brand value to new heights.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the period under review, the Group recorded a year-on-year increase of 19.2% in revenue from RMB4,311.5 million of the same period last year to RMB5,141.3 million. This was mainly due to the Group's continuous efforts in channel rollout and marketing to promote online and offline omni-channel operations, which effectively increased product sales and consumer stickiness.

The revenue from 361° Kids business continued to grow, recording a year-on-year increase of 24.2% to RMB1,131.6 million (1H2023: RMB910.9 million), and accounted for approximately 22.0% (1H2023: 21.1%) of the Group's revenue during the period under review. The growth was mainly attributable to a 26.0% year-on-year increase in the sales volume of apparel and footwear products while slightly off-setting by the decrease of 1.4% in their AWP. The remarkable increase in sales volume was mainly driven by the launching of products with professional functionality, health technology and kids' fashion to meet the multifaceted demand of children and adolescents in various sporting scenarios.

Contribution of the Group's e-commerce business increased by 16.1% to RMB1,252.7 million (1H2023: RMB1,079.2 million) as compared to the same period last year and accounted for approximately 24.4% (1H2023: 25.0%) of the total revenue. 361° capitalised on popular e-commerce events, promoting key products to boost the brand's prominence. Notably, during the "618" promotion, total sales across e-commerce platforms grew by 94% year-on-year, making 361° the third among domestic brands. Sales of key products exceeded 240,000 units, representing a 167% increase year-on-year. The Group is confident that the e-commerce business will continue to play a significant role in contributing to the Group's revenue in view of the increasing trend for consumers to switch from the traditional offline to online shopping.

The revenue from overseas business decreased by 12.1% to RMB73.2 million (1H2023: RMB83.3 million) as compared to the same period last year and accounted for approximately 1.4% (1H2023: 1.9%) of the total revenue of the Group. The decrease in revenue from overseas market was mainly due to the drop in demand as a result of the weak local economy in certain countries in South America.

Sales of the Group's two core products, namely footwear and apparel, increased by 20.1% year-on-year and 15.7%, respectively. Approximately 98.0% of the products for spring and summer of 2024 were delivered and recognised as the revenue from the sales

during the period under review. In the second half of 2024, the products to be delivered will mainly be those for the fall and winter seasons of 2024.

For the six months ended 30 June 2024, the footwear sales contribution increased from 44.1% in the same period last year to 44.4% of the total revenue, whereas the contribution of apparel sales edged down from 31.6% to 30.7% as compared to those in the same period last year. Footwear and apparel products remained the major contributors of the Group's sales revenue during the period under review.

The average wholesale price (the "AWP") of footwear and apparel edged up by 0.4% and decreased by 5.1% year-on-year, respectively. The decrease in apparel's AWP was mainly due to the change in product mix. More competitively priced apparel products were sold during the period under review. The sales volumes of footwear and apparel products increased by 19.6% and 21.9%, respectively. Despite uncertainties in the PRC economy caused by an unstable geopolitical environment and a global economic downturn, which have led consumers to adopt more conservative spending habits, the Group successfully achieved rapid growth in the sales volume of footwear and apparel products. This was mainly driven by the launch of new, high-functionality, premium and innovative products, the increasing efforts in nurturing online sales channels as well as the increase in brand value and brand awareness through successful sponsorship and endorsement of professional athletes.

As to the accessories, this category of products can complement the footwear and apparel products, and thus can enrich the product mix. During the period under review, the sales volume of the accessories decreased year-on-year by 15.5% and the AWP of the accessories sharply increased year-on-year by 34.6%. This was mainly due to the change in product mix by launching a variety of new products with higher AWP which led to a year-on-year increase of 13.0% in the revenue from the sales of accessories for the period under review.

The revenue from the Group's businesses which are grouped under "Others" represents the sales of shoe soles to independent third parties by the Group's 51%-owned subsidiary. During the period under review, approximately 53.0% of that subsidiary's products were sold to the Group and the remaining portion was sold to independent third parties. The revenue contributed in the period amounted to RMB72.3 million (1H2023: RMB67.6 million) and accounted for approximately 1.4% (1H2023: 1.6%) of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	For the six months ended 30 June				
	2024		2023		Changes %
	RMB'000	% of Revenue	RMB'000	% of Revenue	
By Products					
Adults					
Footwear	2,283,242	44.4	1,901,189	44.1	20.1
Apparel	1,575,714	30.7	1,362,433	31.6	15.7
Accessories	78,459	1.5	69,408	1.6	13.0
361° Kids	1,131,598	22.0	910,920	21.1	24.2
Others⁽¹⁾	72,271	1.4	67,573	1.6	7.0
Total	5,141,284	100.0	4,311,523	100.0	19.2

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

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

	For the six months ended 30 June				
	2024		2023		Changes Units sold (%)
	Total units sold '000	Average wholesale selling price ⁽¹⁾ RMB	Total units sold '000	Average wholesale selling price ⁽¹⁾ RMB	
By Volume and the AWP					
Adults					
Footwear (pairs)	18,624	122.6	15,567	122.1	19.6
Apparel (pieces)	21,293	74.0	17,473	78.0	21.9
Accessories (pieces/pairs)	5,623	14.0	6,655	10.4	-15.5
361° Kids (pieces/pairs)	14,290	79.2	11,343	80.3	26.0

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

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Cost of sales of the Group for the first half of 2024 increased year-on-year by 19.9% to RMB3,016.3 million (1H2023: RMB2,515.0 million). During the period under review, the cost of internal production increased by 15.7% year-on-year and the cost of outsourced products increased year-on-year by 21.9%. The overall increase in cost of sales was basically in line with the increase in sales revenue during the period under review.

There was no significant change of the mix of the internal production and outsourced production during the period under review. The portion of outsourced production of footwear and apparel products amounted to 61.9% (1H2023: 58.6%) and 80.1% (1H2023: 78.3%) respectively, while the portion of internal produced footwear and apparel were 38.1% (1H 2023: 41.4%) and 19.9% (1H 2023: 21.7%) respectively.

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

	For the six months ended 30 June				
	2024		2023		Changes %
	RMB'000	% of total costs of sales	RMB'000	% of total costs of sales	
Footwear & Apparel					
Internal Production					
Raw materials	648,620	21.5	450,734	17.9	43.9
Labour	127,034	4.2	90,277	3.6	40.7
Overheads	153,132	5.1	261,706	10.4	-41.5
	928,786	30.8	802,717	31.9	15.7
Outsourced Products					
Footwear	1,030,054	34.1	802,722	31.9	28.3
Apparel	994,815	33.0	852,284	33.9	16.7
Accessories	62,632	2.1	57,310	2.3	9.3
	2,087,501	69.2	1,712,316	68.1	21.9
Cost of sales	3,016,287	100.0	2,515,033	100.0	19.9

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group recorded a gross profit of RMB2,125.0 million during the period under review (1H2023: RMB1,796.5 million), representing a surge of 18.3% as compared to the same period last year. Gross profit margin slightly decreased by 0.4 percentage points to 41.3%.

During the period under review, the gross profit margin of footwear products remained reasonably stable at approximately 42.8% while the gross profit margin of apparel products increased by 0.1 percentage points to 40.2%. The Group continued to execute tight control over cost of production to enhance the competitiveness of its products. As a result, the gross profit margin of these two core products remains stable during the period under review. The gross profit margin of accessories increased by 4.2 percentage points to 35.5% as a results of product mix enhancement.

The gross profit margin of the 361° Kids business slightly decreased from 42.4% to 41.7%. It was mainly attributable to product mix change resulting from launching a variety of new products with competitive AWP.

The gross profit margin of Others business increased by 1.6 percentage points to 22.1% (1H2023: 20.5%). It was mainly due to the upgrade of product mix with higher profit margin.

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

	For the six months ended 30 June				
	2024		2023		Changes percentage point
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	
Adults					
Footwear	976,676	42.8	827,871	43.5	-0.7
Apparel	632,799	40.2	546,959	40.1	0.1
Accessories	27,830	35.5	21,695	31.3	4.2
361° Kids	471,713	41.7	386,117	42.4	-0.7
Others⁽¹⁾	15,979	22.1	13,848	20.5	1.6
Total	2,124,997	41.3	1,796,490	41.7	-0.4

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue

Other revenue of RMB177.2 million (1H2023: RMB209.3 million) mainly comprised of (i) interest income of RMB34.2 million (1H2023: RMB42.7 million) earned from bank deposits both in Hong Kong and the PRC; (ii) the discretionary government subsidies of RMB98.6 million (1H2023: RMB106.6 million) which was due to the Group's contribution to local economies; (iii) the commission of RMB30.2 million (1H2023: RMB33.0 million) charged from the sales of distributors' inventories through the e-commerce business and (iv) other income of RMB14.2 million (1H2023: RMB27.0 million).

Other net gain/(loss)

The other net gain of RMB3.8 million (1H2023: other net loss of RMB9.7 million) mainly represented the net foreign exchange gain of RMB6.1 million (1H2023: net foreign exchange loss of RMB9.8 million), partly offset by the loss on disposal of plant and equipment and others amounted to RMB2.3 million (1H2023: gain on disposal of plant and equipment and others of RMB0.1 million).

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

Selling and distribution expenses

For the six months ended 30 June 2024, selling and distribution expenses increased year-on-year by 20.9% to RMB916.1 million (1H2023: RMB757.6 million). The increase was mainly due to the Group's commitment of more resources to the advertising and marketing activities with a view to enhance its brand recognition. In particular, more marketing activities have been conducted via the e-commerce platform during the period under review. In addition, further decoration and design cost were incurred for the expansion in the number of ninth generation stores.

Advertising and promotional expenses increased by 42.4% year-on-year to RMB542.3 million (1H2023: RMB380.8 million) and accounted for approximately 10.5% (1H2023: 8.8%) of the Group's revenue. During the period under review, the Group has adopted an proactive approach by sponsoring world-class events and signing ambassador partnerships with globally acclaimed athletes in marathon and basketball. Such approaches have successfully enhanced our market position and brand value as well as broadening our reach to a wider consumer base.

The commission and other service fees paid to the e-platforms, e.g. Tmall, Taobao and JD.com, were RMB83.5 million (1H2023: RMB113.1 million) and other expenses in relation to the running of this business amounted to RMB66.4 million (1H2023: RMB62.9 million), totalling RMB149.9 million (1H2023: RMB176.0 million). The major expenses incurred by the e-commerce operation decreased by 14.8% year-on-year, as a result of the Group's continuous tight control over the relevant costs.

Administrative expenses

Administrative expenses increased by 9.0% year-on-year to RMB311.4 million for the six months ended 30 June 2024 (1H2023: RMB285.5 million) and represented approximately 6.1% (1H2023: 6.6%) of the Group's revenue.

The increase in various office expenses was mainly due to the expansion in scale and geographical coverage of the Group's business during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and development (“R&D”) expenses increased year-on-year by 2.5% to RMB142.9 million (1H2023: RMB139.5 million) and accounted for 2.8% (1H2023: 3.2%) of the revenue during the period under review. The ratio in 2024 is expected to range between 3% and 4%, as a result of an increase in scheduled R&D activities during the second half of 2024. The Group strongly believes that continuous investment in research and innovation is the foundation for its sustainable development momentum.

Provision for Impairment Loss

Due to the challenging and complicated global economic environment, the Group has conservatively made further provision of RMB18.1 million for expected credit losses allowances on trade receivables during the period under review (1H2023: Reversal of RMB39.9 million). The total provision for impairment loss arising from trade receivables as at 30 June 2024 amounted to RMB271.7 million (31 December 2023: RMB253.6 million) which represented 5.7% (31 December 2023: 6.3%) of the trade receivables before provision at the end of the period under review.

Finance costs

For the six months ended 30 June 2024, finance costs decreased by 11.7% year-on-year to RMB8.2 million (1H2023: RMB9.2 million). The finance costs during the period mainly represented interest cost of RMB8.1 million (1H2023: RMB9.1 million) and RMB0.1 million (1H2023: RMB0.1 million) in relation to bank borrowings and lease liabilities, respectively.

As at 30 June 2024, the Group had bank borrowings of RMB328.5 million in which unsecured bank loans of RMB323.0 million for liquidity of three subsidiaries being run in the PRC and a mortgage bank loan of RMB5.5 million for financing the acquisition of an office property in Hong Kong.

Income tax expense

During the period under review, income tax expense of the Group amounted to RMB230.6 million (1H2023: RMB217.3 million) and the effective tax rate for the period was 21.9% (1H2023: 22.1%).

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

The income tax expenses mainly represented the profit arising from the Group’s operating subsidiaries in China. One of the Group’s mainland China-based operating subsidiaries succeeded to obtain the approval as a high and new technology enterprise (“HNTE”) and enjoys a reduced income tax rate of 15% from a local tax authority in late 2018 with a validity period of three years. The validity period had been further extended of three years to late 2024. Therefore, it was charged at a tax rate of 15%. The other major mainland China-based operating subsidiaries are still subject to the standard corporate income tax rate of 25%.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-controlling interest

The decrease in non-controlling interest was mainly due to (i) the increase in effective equity interest of 17.92% and 11.74% in an indirect non wholly-owned subsidiary engaged in the e-commerce business in April and September 2023, respectively and (ii) the increase in effective equity interest of 14.93% in an indirect non wholly-owned subsidiary which engaged in kids business in January 2024.

CAPITAL AND OTHER INFORMATION

Liquidity and financial resources

Net cash generated from operating activities of the Group for the first half of 2024 amounted to RMB160.1 million. As at 30 June 2024, cash and cash equivalents, including bank deposits and cash in hands and fixed deposits with original maturities not exceeding three months, amounted to RMB3,410.5 million, representing a net decrease of RMB185.5 million compared to the position as at 31 December 2023.

The net decrease in cash and cash equivalents was attributable to the following items:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Net cash generated from operating activities	160,093	2,235
Payment for the purchase of property, plant and equipment	(123,433)	(14,908)
Interest paid	(8,117)	(9,097)
Acquisition of non-controlling interest	–	(549,890)
Decrease in pledged bank deposits	5,341	2,802
Proceeds from disposal of property, plant and equipment	888	91
Repayment of bank loans	(114,221)	(151,220)
Proceeds from bank loans	149,960	400,000
(Decrease)/increase in amount due to non-controlling interest	(14,132)	20,272
Dividends paid to non-controlling interests	–	(53,337)
Dividends paid to shareholders	(266,168)	–
Interest received	25,092	49,154
Other net cash outflow	(831)	(2,564)
Net decrease in cash and cash equivalents	(185,528)	(306,462)

MANAGEMENT DISCUSSION AND ANALYSIS

The net cash generated from operating activities amounted to RMB160.1 million during the period under review. This was mainly caused by the increase in inventories and the increase in trade debtors during the period under review. The increase in inventories was mainly due to the increase in raw materials and finished goods to cope with the outstanding sales orders. The increase in trade debtors was mainly due to the increase in sales volume. The Group will continue to closely monitor the situation of its trade and bills receivables. There was slight increase in trade and other payables during the period under review. As compared to the same period last year, there is a significant increase in the net cash generated from operating activities, rising from RMB2.2 million to RMB160.1 million. The main reasons include (1) the Group accelerated the settlement to suppliers in order to strengthen long-term relationships with reputable suppliers, which was initiated in the first half of 2023. This led to a significant decrease in the balance of trade payable for the first half of 2023; and (ii) adjustments made due to the reversal of provision for impairment loss during the same period last year.

During the period under review, capital expenditure amounted to RMB123.4 million (1H2023: RMB14.9 million) and it was mainly incurred for the upgrading of certain machineries and the decoration of old plants and staffs quarters. The interest of RMB8.1 million (1H2023: RMB9.1 million) paid for the period was mainly the interest for the bank loans. The net increase of RMB35.7 million in bank loans (1H2023: net increase of RMB248.8 million in bank loans) represented the net addition of bank loans for providing additional working capital to the operating subsidiaries in China less the repayment of the principal of the bank mortgage loan in relation to the office in Hong Kong. The interest received amounted to RMB25.1 million (1H2023: RMB49.2 million) representing an interest income generated from the fixed deposit placed in the PRC and Hong Kong.

The Group's gearing ratio (calculated based on the interest-bearing debt divided by the total assets of the Group as at 30 June 2024) was 2.5% as at 30 June 2024 (As at 31 December 2023: 2.2%). Other than the bank borrowings and the mortgage, the Group did not use other debt instruments to finance its operations for the period of six months ended 30 June 2024.

Treasury policy and foreign exchange risk

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

The Group manages its foreign exchange risk by matching the currency of its loans and borrowings with the Group's functional currency of major cash receipts and underlying assets as far as possible. As at 30 June 2024, all borrowings were at floating rate. As part of its policy, the Group continues to monitor its borrowing profiles, taking into consideration the funding needs and market conditions to minimise the interest rate exposure. Any substantial fluctuation in the exchange rate of foreign currencies against Renminbi may have a financial impact on the Group.

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

Pledge of assets

As at 30 June 2024, a property with a net book value of RMB40.7 million (As at 31 December 2023: RMB40.2 million) was pledged as security for a banking facility of the Group of RMB34.0 million (As at 31 December 2023: RMB34.7 million). The aforesaid banking facility was used to finance the acquisition of an office unit in Hong Kong. The office unit is for the Group's own use and not for any investment purpose. Furthermore, pledged bank deposits comprised performance guarantee deposits of approximately RMB7.1 million (As at 31 December 2023: 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Working capital management

The average working capital cycle for the six months ended 30 June 2024 increased to 144 days (For the year ended 31 December 2023: 132 days). The increase was mainly due to the decrease in the turnover cycle of the trade and bills payable.

The average trade and bills receivable cycle was 148 days for the six months ended 30 June 2024 (for the year ended 31 December 2023: 149 days), representing a slight decrease of 1 day. During the period under review, the Group closely monitored its credit management on its distributors. As at 30 June 2024, an aggregated amount of RMB4,167.3 million (91.6%) of trade and bills receivables was within 180 days, of which around 64.2% aged within 90 days and 27.4% aged over 90 days but within 180 days.

Due to the challenging and complicated global economic environment, the Group conservatively made further provision of RMB18.1 million for expected credit losses allowance on trade receivables (1H2023: Reversal of RMB39.9 million) during the period under review. The Group will continue to closely monitor the situation of its trade and bills receivables and stay in touch with all the distributors on a more frequent basis.

The average inventory turnover cycle was 85 days for the six months ended 30 June 2024 (for the year ended 31 December 2023: 93 days). The Group's products maintain a healthy sales momentum in the current market. Distributors actively pick up orders during the delivery period, leveraging reasonable and effective retail terminal management strategies. About 91.5% of the stock were finished goods and were mainly products for the summer and fall of 2024. All the finished goods were produced according to the orders received from distributors. No extra stock was produced or retained by the Group.

As at 30 June 2024, prepayments to suppliers were RMB855.9 million, representing a 8.1% decrease compared with the RMB931.2 million as at 31 December 2023. 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 fall and winter trade fairs. The balance of other prepayments, RMB217.9 million (as at 31 December 2023: RMB219.7 million), was mainly the payment in relation to the advertising and promotion contracts and the decoration of shops.

The average trade and bills payable cycle decreased by 21 days to 89 days for the six months ended 30 June 2024 (for the year ended 31 December 2023: 110 days). The Group continues to increase the use of high-tech raw materials, which require a shorter settlement period from suppliers compared to traditional raw material suppliers. In order to establish long-term cooperative relationships and ensure a high-quality raw material supply, we promptly settle accounts. As a result, the average trade and bills payable turnover days during the period under review decreased by 21 days.

Contingent liabilities

For the period ended 30 June 2024, the Group did not have any material contingent liabilities.

Material acquisitions and disposals

For the period ended 30 June 2024, the Group did not make any material acquisitions or disposal of subsidiaries or associates.

Significant investments

For the six months ended 30 June 2024, the Group had no significant investments.

As at the date of this report, the Group does not have any concrete plan for material investment or capital assets for the year ending 31 December 2024. Meanwhile, the Group will continue to actively and regularly review its investment plan, and explore any strategic investment opportunities for the Group's business development, and will use its internal resources for such investment should suitable opportunities arise.

Employees and emoluments

As at 30 June 2024, the Group employed a total of 8,142 full time employees in the PRC who included management staff, technicians, salespersons and workers. For the six months ended 30 June 2024, the Group's total remuneration paid to employees was RMB320.1 million, representing 6.2% of the Group's revenue. The Group's emolument policies are based on the performance of individual employees and formulated to attract talent and retain quality staff. Apart from the mandatory provident fund scheme, which is operating in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees and the state managed retirement pension scheme for the PRC-based employees and medical insurance, discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. The Group believes that its strength lies in the quality of its employees and has placed a great emphasis on fringe benefits. The Group also continuously offers comprehensive training to employees with the aim of fostering a learning culture that could enhance the employees' professional knowledge and skills.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	5,141,284	4,311,523
Cost of sales		(3,016,287)	(2,515,033)
Gross profit		2,124,997	1,796,490
Other revenue	4	177,197	209,287
Other net gain/(loss)	4	3,844	(9,765)
Selling and distribution expenses		(916,145)	(757,570)
Administrative expenses		(311,370)	(285,549)
(Provision for)/reversal of expected credit losses allowance on trade receivables	9	(18,078)	39,888
Profit from operations		1,060,445	992,781
Finance costs	5(a)	(8,163)	(9,240)
Profit before income tax	5	1,052,282	983,541
Income tax expense	6	(230,573)	(217,296)
Profit for the period		821,709	766,245
Attributable to:			
Equity shareholders of the Company		789,703	703,646
Non-controlling interests		32,006	62,599
Profit for the period		821,709	766,245
Earnings per share			
Basic and diluted (RMB cents)	7	38.19	34.03

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit for the period	821,709	766,245
Other comprehensive (expense)/income for the period, net of income tax		
Item that will not be reclassified to profit or loss:		
Equity investments designated at fair value through other comprehensive loss (non-recycling) — net movement in fair value reserve	(762)	(8,558)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements	(5,405)	11,920
Total comprehensive income for the period, net of income tax	815,542	769,607
Attributable to:		
Equity shareholders of the Company	783,536	707,008
Non-controlling interests	32,006	62,599
Total comprehensive income for the period	815,542	769,607

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	853,155	765,176
Right-of-use assets		99,477	101,730
		952,632	866,906
Current assets			
Other financial asset		19,316	20,212
Deposits and prepayments	9	53,789	397,108
Deferred tax assets		172,404	163,692
		1,198,141	1,447,918
Current liabilities			
Inventories	10	1,456,263	1,350,344
Trade debtors	9	4,484,360	3,784,524
Bills receivables	9	63,419	46,860
Deposits, prepayments and other receivables	9	1,185,207	1,226,700
Pledged bank deposits	11	7,074	12,415
Deposits with banks	11	1,600,000	1,600,000
Cash and cash equivalents	11	3,410,468	3,596,489
		12,206,791	11,617,332
Current liabilities			
Trade and other payables	12	2,705,137	2,577,281
Lease liabilities		1,386	1,524
Bank loans	13	97,505	47,991
Current taxation		595,338	461,246
		3,399,366	3,088,042
Net current assets		8,807,425	8,529,290

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Total assets less current liabilities		10,005,566	9,977,208
Non-current liability			
Lease liabilities		653	1,294
Bank loans	13	231,000	244,500
Deferred tax liability		1,369	8,244
		233,022	254,038
Net assets		9,772,544	9,723,170
Capital and reserves			
Share capital	14(a)	182,305	182,305
Reserves		9,148,320	8,900,062
Total equity attributable to equity shareholders of the Company		9,330,625	9,082,367
Non-controlling interests		441,919	640,803
Total equity		9,772,544	9,723,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to equity shareholders of the Company										
	Share capital RMB'000	Share Premium RMB'00	Other reserves RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Share Option reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 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	-	-	-	-	-	-	-	(121,806)	(121,806)	-	(121,806)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	(56,949)	(56,949)
Transactions with non-controlling interests of subsidiaries	-	-	305,215	-	-	-	-	-	305,215	(855,105)	(549,890)
Exercise of share options	7	341	-	-	-	-	(59)	-	289	-	289
Lapse of share options	-	-	-	-	-	-	(87,929)	87,929	-	-	-
Balance at 31 December 2023 and January 2024	182,305	341	391,987	1,092,224	(17,545)	11,432	-	7,421,623	9,082,367	640,803	9,723,170
Profit for the period (Unaudited)	-	-	-	-	-	-	-	789,703	789,703	32,006	821,709
Other comprehensive income (Unaudited)	-	-	-	-	(5,405)	(762)	-	-	(6,167)	-	(6,167)
Total comprehensive income (Unaudited)	-	-	-	-	(5,405)	(762)	-	789,703	783,536	32,006	815,542
Appropriation to statutory reserve	-	-	-	58,823	-	-	-	(58,823)	-	-	-
Transactions with non-controlling interests of subsidiaries	Note	-	(269,110)	-	-	-	-	-	(269,110)	(230,890)	(500,000)
Dividends paid during the period	-	-	-	-	-	-	-	(266,168)	(266,168)	-	(266,168)
Balance at 30 June 2024 (Unaudited)	182,305	341	122,877	1,151,047	(22,950)	10,670	-	7,886,335	9,330,625	441,919	9,772,544

Note:

During the year ended 31 December 2023, the Group had entered into equity transfer agreement with an independent third party, pursuant to which the Group's effective equity interests in Zhuji 361 Degrees (defined in Note 13 to the FY2023 annual financial statements) would be increased from 74% to 87% upon the completion of transaction. As at 31 December 2023, the consideration paid of RMB350,000,000 by the Group was recorded as prepayment (Note 9). During the six months ended 30 June 2024, the transaction was completed as all the conditions were fulfilled, the Group had consideration of RMB150,000,000 which is to be settled, the rest of the consideration payable of RMB150,000,000 was recorded in "other payable" (Note 12). The Group recognised the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid to "Other reserves".

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Operating activities		
Cash generated from operations	272,028	91,132
People's Republic of China income tax paid	(111,935)	(88,897)
Net cash generated from operating activities	160,093	2,235
Investing activities		
Payment for the purchase of property, plant and equipment	(123,433)	(14,908)
Proceeds from disposal of property, plant and equipment	888	91
Decrease in pledged bank deposits	5,341	2,802
Increase in amount due from non-controlling interests	(12,069)	–
Placements of fixed deposits held at banks with maturity over three months	–	(1,200,000)
Uplift of fixed deposits held at banks with maturity over three months	–	1,200,000
Interest received	25,092	49,154
Net cash (used in)/generated from investing activities	(104,181)	37,139
Financing activities		
Principal element of lease rentals paid	(785)	(2,710)
Interest element of lease rentals paid	(46)	(143)
Proceeds from exercise of share options	–	289
Proceeds from bank loans	149,960	400,000
Repayment of bank loans	(114,221)	(151,220)
(Decrease)/increase in amount due to non-controlling interests	(2,063)	20,272
Dividends paid to shareholders	(266,168)	–
Acquisition of non-controlling interests	–	(549,890)
Dividends paid to non-controlling interests	–	(53,337)
Interest paid	(8,117)	(9,097)
Net cash used in financing activities	(241,440)	(345,836)
Net decrease in cash and cash equivalents	(185,528)	(306,462)
Cash and cash equivalents at 1 January	3,596,489	3,860,442
Effect of foreign exchange rate changes	(493)	(3,623)
Cash and cash equivalents at 30 June	3,410,468	3,550,357

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2024 (“interim financial statements”) has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim financial statements was approved and authorised for issue by the Company’s board of directors on 12 August 2024.

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended 31 December 2023.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2023.

The financial information relating to the financial year ended 31 December 2023 that is included in the interim financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2023 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 16 March 2024.

The interim financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values. As the Group mainly operates in the People’s Republic of China (the “PRC”), Renminbi (“RMB”) is used as the presentation currency of the interim financial statements. All values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and method of computation adopted in preparing these interim financial statements were consistent with those adopted for the Group’s consolidated financial statements for the year ended 31 December 2023 other than changes in accounting policies resulting from adoption of the new or amendments to HKFRSs effective for the accounting periods beginning on or after 1 January 2024.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

Disaggregation of revenue

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
— Footwear	2,839,869	2,357,303
— Apparel	2,140,382	1,802,479
— Accessories	88,762	84,168
— Others	72,271	67,573
	5,141,284	4,311,523

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

The Group's customer base is diversified and has included one (six months ended 30 June 2023: two) customer with whom transactions have exceeded 10% of the Group's revenues. During the six months ended 30 June 2024, revenues from sales of footwear, apparel and accessories to one (six months ended 30 June 2023: two) customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB709,446,000 (six months ended 30 June 2023: RMB1,102,125,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting

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

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

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

(i) Segment results

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

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

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

	Adults Six months ended 30 June		Kids Six months ended 30 June		Total Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Disaggregated by timing of revenue recognition						
Point in time	4,009,686	3,400,603	1,131,598	910,920	5,141,284	4,311,523
Revenue from external customers	4,009,686	3,400,603	1,131,598	910,920	5,141,284	4,311,523
Inter-segment revenue	12,446	20,042	–	–	12,446	20,042
Reportable segment revenue	4,022,132	3,420,645	1,131,598	910,920	5,153,730	4,331,565
Cost of sales	(2,367,364)	(2,010,014)	(659,876)	(524,803)	(3,027,239)	(2,534,817)
Reportable segment profit (gross profit)	1,654,768	1,410,631	471,722	386,117	2,126,491	1,796,748

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue	5,153,730	4,331,565
Elimination of inter-segment revenue	(12,446)	(20,042)
Consolidated revenue (note 3(a))	5,141,284	4,311,523
Profit before income tax		
Reportable segment profit	2,126,491	1,796,748
Elimination of inter-segment profit	(1,494)	(258)
Reportable segment profit derived from the Group's external customers	2,124,997	1,796,490
Other revenue	177,197	209,287
Other net gain/(loss)	3,844	(9,765)
Selling and distribution expenses	(916,145)	(757,570)
Administrative expenses	(311,370)	(285,549)
(Provision for)/reversal of expected credit losses allowance on trade receivables	(18,078)	39,888
Finance costs	(8,163)	(9,240)
Consolidated profit before income tax	1,052,282	983,541

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. OTHER REVENUE AND OTHER NET GAIN

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Other revenue		
Interest income on financial assets measured at amortised cost	34,241	42,665
Government grants [#]	98,547	106,581
Commission income [*]	30,160	33,037
Others	14,249	27,004
	177,197	209,287
Other net gain/(loss)		
Net foreign exchange gain/(loss)	6,176	(9,814)
(Loss)/gain on disposal of property, plant and equipment	(2,332)	49
	3,844	(9,765)

Note:

[#] Government grants were received from several local government authorities for the Group's contribution to local economies, of which the entitlement was unconditional and under the discretion of the relevant authorities.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(a) Finance costs:		
Interest on lease liabilities	46	143
Interest on bank loans	8,117	9,097
Total interest expense on financial liabilities not carried at fair value through profit or loss	8,163	9,240
(b) Other items:		
Depreciation of property, plant and equipment	33,327	37,152
Depreciation of right-of-use assets	2,257	3,521
Staff costs (including directors' emoluments)	320,456	305,613
— Contributions to defined contribution retirement plans	13,776	11,266
— Salaries, wages and other benefits	306,680	294,347
Expenses relating to short-term leases	4,478	5,680
Advertising and promotional expenses	542,308	380,761
Research and development costs (<i>Note a</i>)	142,934	139,497
Cost of inventories (<i>Note b</i>)	2,709,345	2,515,033

Notes:

- (a) Research and development costs include approximately RMB47,365,000 (six months ended 30 June 2023: RMB55,822,000) relating to staff costs of employees in the research and development department and depreciation, which amounts are also included in the respective total amounts disclosed separately above. Research and development costs included in administrative expenses in the condensed consolidated statement of profit or loss.
- (b) Cost of inventories includes approximately RMB8,808,000 (six months ended 30 June 2023: RMB2,328,000) relating to written off of inventories and RMB114,340,000 (six months ended 30 June 2023: RMB105,292,000) relating to staff costs and depreciation, which amounts are also included in the respective amount disclosed separately above.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax		
Provision for the period	246,160	212,211
— PRC income tax (<i>Note (ii)</i>)	246,160	212,211
— Withholding tax (<i>Note (iv)</i>)	–	–
Deferred tax	(15,587)	5,085
— Withholding tax	–	–
— Origination of temporary differences	(15,587)	5,085
	230,573	217,296

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands (six months ended 30 June 2023: nil).
- (ii) No provision has been made for Profits Tax in Hong Kong, Brazil, United States of America and the Netherlands as the Group did not earn any income subject to Profits Tax in Hong Kong, Brazil, United States of America and the Netherlands during the six months ended 30 June 2024 (six months ended 30 June 2023: nil).
- (iii) All PRC subsidiaries are subject to income tax at 25% (six months ended 30 June 2023: 25%) for the six months ended 30 June 2024 under the Enterprise Income Tax law ("EIT law"), except for one of the subsidiaries of the Company operating in the PRC which were approved to be a high and new technology enterprise ("HNTE"). Enterprise approved to be HNTE are entitled to enjoy a reduced enterprise income tax rate of 15% and additional 75% tax reduction based on the eligible research and development expenses with a validity period of three years from 30 November 2018 to 29 November 2021. The validity period had been further extended of three years from 30 November 2021 to 29 November 2024. The subsidiary was approved to be HNTE and enjoyed the preferential tax rate for HNTE for the six months ended 30 June 2024 (six months ended 30 June 2023: Same).
- (iv) The PRC tax law imposes a withholding tax at 5% for dividends declared by the PRC subsidiaries to its immediate holding company outside the PRC for remitted earnings. As at 30 June 2024, the deferred tax liabilities for withholding taxes have not been provided on unremitted earnings (six months ended 30 June 2023: RMB Nil).

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB789,703,000 (six months ended 30 June 2023: RMB703,646,000) and the weighted average of 2,067,682,000 (six months ended 30 June 2023: 2,067,629,000) ordinary shares in issue during the six months ended 30 June 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. The Company's dilutive potential shares comprise shares to be issued under share option scheme. In relation to shares to be issued under share option scheme, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the year) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the six months ended 30 June 2023, the assumed conversion of potential ordinary shares in relation to the share option has an anti-dilutive effect to the basic earnings per share as the exercise price of the options exceeds the average market price of ordinary shares of the Company.

For the six months ended 30 June 2024, diluted earnings per share is equal to basic earnings per share as there were no dilutive potential shares outstanding.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired and disposed items of property, plant and equipment of approximately RMB123,433,000 (six months ended 30 June 2023: approximately RMB14,908,000) and RMB26,950,000 (six months ended 30 June 2023: RMB42,000) respectively.

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade receivables	4,756,059	4,038,146
Less: Allowance for expected credit loss	(271,699)	(253,622)
Trade receivables, net of loss allowance	4,484,360	3,784,524
Bills receivables	63,419	46,860
Trade and bills receivables (Note d)	4,547,779	3,831,384
Deposits, prepayments and other receivables		
<i>Current</i>		
Deposits	3,014	1,146
Prepayments (Note a)	1,073,810	1,150,970
Amount due from non-controlling interest	12,069	–
Other receivables (Note b)	96,314	74,584
	1,185,207	1,226,700
<i>Non-current</i>		
Deposits and prepayments (Note c)	53,789	397,108

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

Notes:

- (a) Included in prepayments are amounts prepaid for inventories, shelf allowance, store decoration, advertisements of approximately RMB855,887,000, RMB42,245,000, RMB81,185,000 and RMB68,509,000, respectively (31 December 2023: RMB931,230,787, Nil, Nil, and RMB84,903,663).
- (b) Other receivables mainly include the interest receivables from bank deposits of approximately RMB18,819,000 (31 December 2023: RMB9,669,000), other receivables relating to trade fairs and e-commerce platforms of approximately RMB27,127,000 (31 December 2023: RMB23,369,000), and other tax recoverable of approximately RMB18,079,000 (31 December 2023: RMB7,455,000).
- (c) Non-current portion of deposits and prepayments mainly represent the initial deposits paid to local government authorities for acquisition of land use rights for development of approximately RMB35,337,000 (31 December 2023: RMB35,337,000) and prepayment for construction in progress of RMB18,452,000 (31 December 2023: RMB11,021,000). As at 31 December 2023, non-current portion of deposits and prepayments also include the consideration paid for the acquisition of non-controlling interests of approximately RMB350,000,000.
- (d) Ageing analysis

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 90 days	2,918,187	2,272,722
Over 90 days but within 180 days	1,249,080	1,054,799
Over 180 days but within 360 days	380,512	503,863
	4,547,779	3,831,384

Trade and bills receivables are due within 30 to 180 days (31 December 2023: 30 to 180 days) from the date of billing.

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

10. INVENTORIES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Raw materials	72,193	61,639
Work in progress	28,823	33,789
Finished goods	1,355,247	1,254,916
	1,456,263	1,350,344

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. CASH AND BANK DEPOSITS

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Pledged bank deposits	7,074	12,415
Deposits with banks		
— More than three months to maturity when placed	1,600,000	1,600,000
Cash at bank and on hand	3,410,468	3,596,489
Cash and bank deposits	5,017,542	5,208,904

At 30 June 2024, pledged bank deposits comprised performance guarantee deposits of approximately RMB7,074,000 (31 December 2023: RMB12,415,000) 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.

At 30 June 2024, balances that were placed with banks or on hand in the PRC amounted to approximately RMB4,978,543,000 (31 December 2023: RMB5,188,556,000). Remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

12. TRADE AND OTHER PAYABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade payables	1,452,396	1,499,336
Contract liabilities	112,885	168,730
Other payables and accruals (<i>Note</i>)	1,139,856	907,151
Amount due to non-controlling interest	–	2,064
	2,705,137	2,577,281

Note:

Other payables and accruals mainly included (a) the accrued advertising expenses of approximately RMB251,063,000 (31 December 2023: RMB294,321,000); (b) the accrued employee compensation of approximately RMB46,440,000 (31 December 2023: RMB97,653,000); (c) the other payables relating to shelf allowance, trade fairs, and e-commerce platforms of approximately RMB111,494,000 (31 December 2023: RMB109,667,000); (d) the other payables relating to store decoration of approximately RMB60,906,000 (31 December 2023: RMB45,376,000); (e) the consideration to be paid for the acquisition of non-controlling interests of approximately RMB150,000,000 (31 December 2023: Nil) and (f) other tax payables of approximately RMB323,659,000 (31 December 2023: RMB245,596,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. TRADE AND OTHER PAYABLES (Continued)

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Due within 1 month or on demand	577,249	245,842
Due after 1 month but within 3 months	653,691	413,922
Due after 3 months but within 6 months	221,456	839,572
	1,452,396	1,499,336

13. BANK LOANS

As at 30 June 2024, bank loans were classified as current liabilities which were repayable within one year or on demand and secured as follows:

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Secured bank loans (<i>Note ii</i>)	5,545	5,991
Unsecured bank loans (<i>Note iii</i>)	322,960	286,500
	328,505	292,491
Non-current (<i>Note i</i>)	231,000	244,500
Current	97,505	47,991
	328,505	292,491

Note:

- (i) The loan is an unsecured bank borrowing with principal amount of RMB273,000,000 (31 December 2023: RMB286,500,000), bearing a fixed interest rate at 3.8% per annum and repayable in April 2030.
- (ii) As at 30 June 2024, certain bank loans of the Group were secured by a property with carrying amount of approximately RMB40,678,000 (31 December 2023: RMB40,182,000).
- (iii) As at 30 June 2024, bank loans of the Group were also guaranteed by certain subsidiaries of the Company (31 December 2023: Same).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 June 2024		At 31 December 2023	
	No. of shares '000	Amounts HK\$'000	No. of shares '000	Amounts HK\$'000
Authorised:				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000

	No. of shares '000	Amount HK\$'000	Amount RMB'000
Ordinary shares, issued and fully paid: At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024		2,067,682	182,305

(b) Dividends

Dividends payable to equity shareholders attributable to the interim period

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Interim dividend declared after the interim period of HK16.5 cents per ordinary share (2023: HK6.5 cents)	318,423	124,061

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions and balances with related parties

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Amount due from/(to) non-controlling interest of a subsidiary (included in deposits, prepayment and other receivables (Note 10)/ trade and other payables) (Note 12)	12,069	(2,064)

(b) Key management personnel remuneration

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	18,022	17,017
Post-employment benefits	225	352
	18,247	17,369

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

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets measured at fair value

(i) Fair value hierarchy

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

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

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

(i) Fair value hierarchy (Continued)

Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value RMB'000	Fair value measurements categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement:				
At 30 June 2024 (Unaudited)				
Financial asset:				
Unlisted equity security	19,316	–	–	19,316
At 31 December 2023 (Audited)				
Financial asset:				
Unlisted equity security	20,212	–	–	20,212

During the six months ended 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 June 2023: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by adjusted net assets value approach. Under adjusted net assets value approach, total value of the equity was based on the sum of the net asset value, determined by marking every asset and liability on (and of) the investee's balance sheet to fair value. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2024, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% (31 December 2023: 5%) would have increased/decreased the Group's other comprehensive income by approximately RMB1,401,928 (31 December 2023: approximately RMB1,457,000).

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Balance at 1 January	20,212	32,948
Net unrealised loss recognised in other comprehensive income during the period	(896)	(10,067)
Balance at 30 June	19,316	22,881

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. COMMITMENTS

- (a) **Contractual commitments outstanding at 30 June 2024 not provided for in the interim financial statements were as follows:**

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Advertising and promotional expenses	245,491	274,722

- (b) **Capital commitments outstanding at 30 June 2024 not provided for in the interim financial statements were as follows:**

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Contracted for		
Investment in subsidiary	–	150,000
Authorised but not contracted for		
Property, plant and equipment	10,012	14,756
	10,012	164,756

- (c) **At 30 June 2024, the lease commitments for short-term leases not included in the lease liabilities as follows:**

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 1 year	140	346

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the directors of the Company, the Company had complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules during the six months ended 30 June 2024.

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

As at 30 June 2024, 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 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 younger 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 30 June 2024, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

SHARE OPTION SCHEME

Share Option Scheme

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

The maximum number of shares which may be issued upon the exercise of all the options and awards to be granted under the Share Option Scheme and any other share schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the adoption of the Share Option Scheme initially i.e. 206,768,200 shares. Pursuant to the Share Option Scheme, where any grant of options would result in the shares issued and to be issued upon exercise of the options or awards granted and to be granted to that person (excluding any options and Awards lapsed in accordance with the terms of the Share Option Scheme or the other share schemes of the Company) under the Share Option Scheme and any other share schemes of the Company in any 12-month period up to and including the date of such further grant exceeds 1% of the Company’s issued share capital, such grant must be separately approved by shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person of the Company) abstaining from voting.

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

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

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

The Previous Share Option Scheme was terminated on 28 April 2023 and there were no outstanding share options under the Previous Share Option Scheme as at 30 June 2023.

The number of options available for grant under the mandate of the Share Option Scheme was 206,768,200 as at 1 January 2024 and 30 June 2024. The number of options available for grant under the service provider sublimit of the Share Option Scheme was 103,384,100 as at 1 January 2024 and 30 June 2024.

The Company does not have any other share option or share award scheme other than the Share Option Scheme adopted on 28 April 2023. No share option has been granted by the Company under the Share Option Scheme since its adoption. During the six months ended 30 June 2024, no share option was granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

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

As at 30 June 2024, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

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

Notes:

- The letter "L" indicates long position whereas the letter "S" indicates short position.
- The entire issued share capital of Dings International Company Limited is owned by Mr. Ding Wuhao, an executive director and the president of the Company. Mr. Ding Wuhao is the sole director of Dings International Company Limited.
- The entire issued share capital of Ming Rong International Company Limited is owned by Mr. Ding Huihuang, an executive director and the chairman of the Company. Mr. Ding Huihuang is the sole director of Ming Rong International Company Limited.
- The entire issued share capital of Hui Rong International Company Limited is owned by Mr. Ding Huirong, an executive director. Mr. Ding Huirong is the sole director of Hui Rong International Company Limited.
- The entire issued share capital of Jia Wei International Co., Ltd. is owned by Mr. Wang Jiabi, an executive director. Mr. Wang Jiabi is the sole director of Jia Wei International Co., Ltd.
- These shares are held by Jia Chen International Co., Ltd., which the entire issued share capital is owned by Mr. Wang Jiachen. Mr. Wang Jiachen is the brother of Mr. Wang Jiabi, an executive director.

Save as disclosed above, as at 30 June 2024, no person (other than a Director or chief executive of the Company) had registered an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND ADDITIONAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company has confirmed with all directors of the Company that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Company has established an audit committee which is accountable to the Board and the primary duties of which include the review and supervision of the Group's financial reporting process and internal control measures.

The audit committee has reviewed with management the accounting principles and practises adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim financial statements of the Group for the six months ended 30 June 2024. They considered that the unaudited interim financial statements of the Group for the six months ended 30 June 2024 are in compliance with the relevant accounting standards, rules and regulations and that appropriate disclosures have been made.

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Announcement of interim results	12 August 2024
Ex-entitlement date for interim dividend	23 August 2024
Closure of register of members	27 August to 29 August 2024
Record date	29 August 2024
Payment date of interim dividend	on or about 9 September 2024

DIVIDENDS

The Board resolved to declare an interim dividend of HK\$16.5 cents (equivalent to RMB15.4 cents for illustration purpose only) for the six months ended 30 June 2024.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 27 August 2024 to Thursday, 29 August 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be 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 26 August 2024.

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, George Town
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Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
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INVESTOR RELATIONS CONTACT

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COMPANY INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Wuhao (丁伍號)
Ding Huihuang (丁輝煌) (*Chairman*)
Ding Huirong (丁輝榮)
Wang Jiabi (王加碧)

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

Chen Chuang (陳闌) (*Chairman*)
Wang Jiabi (王加碧)
Hon Ping Cho Terence (韓炳祖)

Nomination Committee

Hon Ping Cho Terence (韓炳祖)
(*Chairman*)
Ding Wuhao (丁伍號)
Wu Ming Wai Louie (胡明偉)

COMPANY SECRETARY

Li Yuen Fai Roger (李苑輝) FCCA, HKICPA
(cessation effective 21 May 2024)
Kong Siu Keung (鄺兆強) FCCA, HKICPA
(appointed on 21 May 2024)

AUTHORISED REPRESENTATIVES

Ding Wuhao (丁伍號)
Li Yuen Fai Roger (李苑輝) FCCA, HKICPA
(cessation effective 21 May 2024)
Kong Siu Keung (鄺兆強) FCCA, HKICPA
(appointed on 21 May 2024)

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AUDITOR

Moore CPA Limited
Registered Public Interest Entity Auditor

LEGAL ADVISERS

As to Cayman Islands law:

Conyers Dill & Pearman

As to Hong Kong law:

Chiu & Partners

PRINCIPAL BANKERS

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China Citic Bank International Limited
Industrial Bank Co., Ltd.
Industrial and Commercial Bank of China

COMPANY WEBSITE

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STOCK CODE

01361