XTEP

2024 ANNUAL REPORT

XTEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

SEHK stock code: 1368

ABOUT THE GROUP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange in 2008. The Group is principally engaged in the design, development, manufacturing, sales, marketing and brand management of sports products including footwear, apparel and accessories for adults and children. With its core Xtep brand, as well as Saucony and Merrell under its diversified brand portfolio, the Group strategically targets the mass market and professional sports segments through an extensive distribution network of more than 8,100 stores.

VISION

Establish itself as a respected Chinese brand operator

MISSION

Make sports extraordinary

VALUES

Perseverance Innovation Integrity Mutual success

CONTENTS

AWARDS AND RECOGNITION

CORPORATE AND INVESTOR RELATIONS

Corporate Governance Asia 14th Asian Excellence Award 2024

- Asia's Best CEO (Investor Relations)
- Asia's Best CFO (Investor Relations)
- Best Investor Relations Professional
- Best Investor Relations Company

IR Magazine Awards Greater China 2024

- Best in Sector: Consumer Discretionary
- Best Overall Investor Relations (Mid Cap)
- Best Investor Relations Officer (Mid Cap)
- Best Investor Targeting Strategy

The 20th People's Choice Craftsmanship Award

- People's Craftsmanship Brand Award

Institutional Investor "2024 Asia (ex-Japan) Executive Team"

- Most Honored Company – Small/Mid Cap – 3rd place
- Best CEO – Small/Mid Cap (Sell-side) – 2nd place
- Best CFO – Overall (Sell-side) – 2nd place
- Best IR Professional – Overall (Sell-side) – 2nd place
- Best IR Team – Overall (Sell-side) – 3rd place
- Best IR Program – Overall (Sell-side) – 3rd place
- Best ESG Program – Small/Mid Cap (Sell-side) – 3rd place
- Best Company Board – Overall (Sell-side) – 3rd place

HKIRA 10th Investor Relations Awards 2024

- Overall Best IR Company
- Best IR by Chairman/CEO
- Best IR by CFO
- Best IRO
- Best IR Team
- Best IR Company
- Best Annual Report
- Best ESG (S)

ESG

MSCI ESG Rating

- "A" Rating

The Hong Kong Corporate Governance & ESG Excellence Awards 2024

- Honourable Mention for ESG Excellence

China Corporate Social Responsibility Ranking 2024 • Yicai

- Social Innovation Contribution Award

ANNUAL RESULTS AT A GLANCE

Revenue
RMB **13,577** m
▲ 6.5%

Operating profit
RMB **1,966** m
▲ 9.3%

Profit attributable to ordinary equity holders
RMB **1,238** m
▲ 20.2%

Net asset value per Share
RMB **3.24**
(2023: RMB3.38)

Final dividend per Share
HK **9.5** cents
For the year ended 31 December 2024

Full year dividend payout ratio
138.2%[1]

[1] Excluding the special dividend of HK44.7 cents per Share, the full year dividend payout ratio is 50.0%.

CORPORATE STRATEGY

Continuous focus on running

Mass market

XTEP

Premium market

saucony

MERRELL

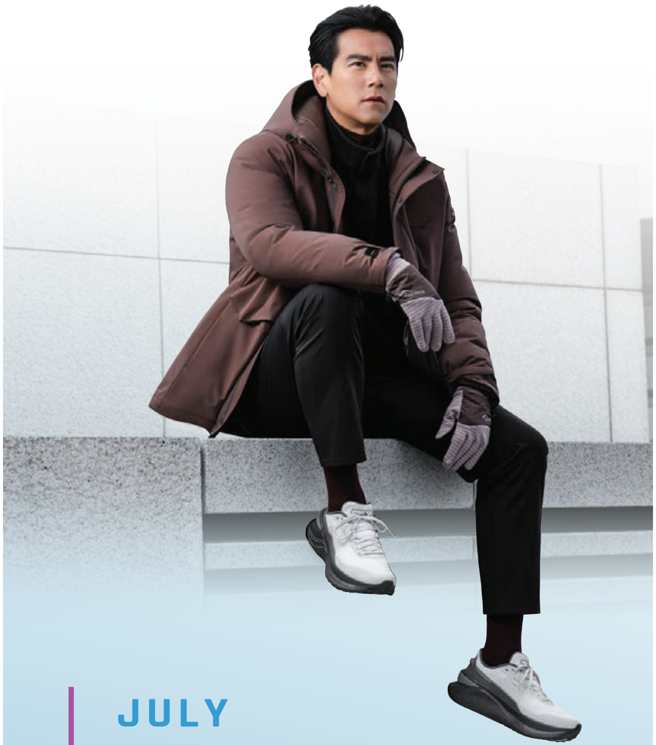
No.1

Running brand in China

MAJOR EVENTS

01 JANUARY

- Xtep sponsored the Xiamen Marathon, a prestigious Platinum Label race, for the 16th consecutive year, helping Dong Guojian win the domestic championship and achieving the highest wear rates of 41.8% for all runners and 43.8% for sub-three-hour runners[2].



07 JULY

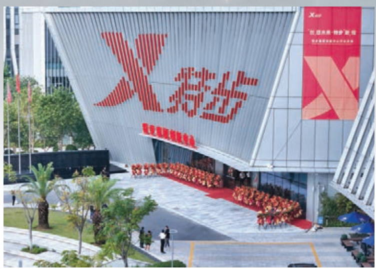
- Saucony appointed renowned actor Eddie Peng as its brand ambassador.

03 MARCH

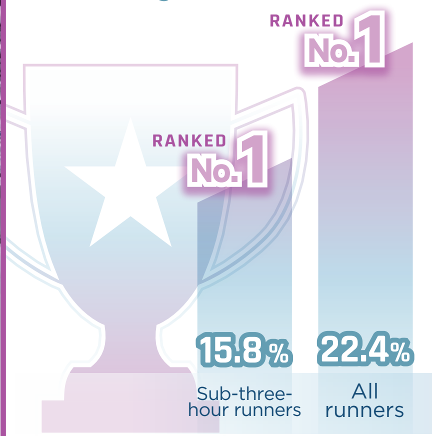
- Xtep launched the "360X" carbon fiber plate running shoe at the "321 Running Festival".
- "160X" helped He Jie break the national marathon record in the 2024 Wuxi Marathon.
- Xtep Kids collaborated with the Shanghai University of Sport to introduce the "A+ Healthy Growth Sneaker".

[2] Source: Joyrun

MAJOR EVENTS



Xtep running shoes wear rate in the Shanghai Marathon[2]



DECEMBER

- Xtep running shoes ranked first in wear rate in the Beijing, Shanghai, Xiamen, Wuxi, Guangzhou and Chengdu Marathons[2].
- Xtep running shoes achieved the highest wear rate of 22.4% (all runners) among all brands in the Shanghai Marathon for the first time[2].
- Xtep unveiled the "260X 2.0" running shoe, which offers enhanced stability, cushioning and rebound.

SEPTEMBER

- Saucony unveiled its first concept store in the world at The Mixc Shenzhen.
- Xtep announced the official opening of the Xtep Innovation Center.

08 09 11 12

NOVEMBER

- Xtep completed the strategic divestiture of K·SWISS and Palladium from the listed entity and focus its resources on the core Xtep brand, Saucony and Merrell.

AUGUST

- Xtep launched the "160X 6.0" and "160X 6.0 PRO" championship running shoes.

FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December	**2024**	2023	2022	2021	2020
Profitability data (RMB million)					
Revenue (Note 8)	**13,577.2**	12,742.9	11,527.9	9,042.3	7,172.9
Gross profit (Note 8)	**5,865.4**	5,331.2	4,764.3	3,745.3	2,791.4
Operating profit (Note 8)	**1,965.5**	1,798.0	1,653.0	1,486.1	1,022.1
Profit attributable to ordinary equity holders	**1,238.4**	1,030.0	921.7	908.3	513.0
Basic earnings per Share (RMB cents) (Note 1)	**48.67**	40.76	36.61	36.35	20.83
Profitability ratios (%)					
Gross profit margin (Note 8)	**43.2**	41.8	41.3	41.4	38.9
Operating profit margin (Note 8)	**14.5**	14.1	14.3	16.4	14.2
Net profit margin (Note 8)	**9.1**	8.1	8.0	10.0	7.2
Effective tax rate (Note 8)	**31.3**	24.9	29.4	28.6	30.7
Return on average total equity holders' equity (Note 2)	**14.1**	12.0	11.4	12.0	7.3
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	**13.4**	13.3	12.0	9.9	11.2
Staff costs	**10.0**	9.7	10.8	11.3	11.5
R&D costs	**2.9**	3.1	2.6	2.5	2.9

As at 31 December	**2024**	2023	2022	2021	2020
Assets and liabilities data (RMB million)					
Non-current assets	**4,738.1**	5,281.0	4,155.4	4,183.0	3,544.4
Current assets	**11,230.1**	12,044.4	12,338.1	10,432.4	9,027.3
Current liabilities (Note 9)	**5,282.6**	5,892.3	7,064.3	4,469.5	3,334.3
Non-current liabilities (Note 9)	**1,983.0**	2,509.8	1,122.5	2,163.5	1,938.7
Non-controlling interests	**–**	60.7	62.5	53.1	75.4
Total equity holders' equity	**8,702.6**	8,862.6	8,244.2	7,929.3	7,223.3
Asset and working capital data					
Current asset ratio (Note 9)	**2.1**	2.0	1.7	2.3	2.7
Gearing ratio (%) (Note 3)	**18.1**	20.3	19.6	17.4	17.2
Net asset value per Share (RMB) (Note 4)	**3.24**	3.38	3.15	3.03	2.87
Average inventory turnover days (days) (Note 5)	**68**	90	90	77	74
Average trade receivables turnover days (days) (Note 6)	**120**	106	98	107	120
Average trade payables turnover days (days) (Note 7)	**101**	113	121	120	107
Overall working capital days (days)	**87**	83	67	64	87

NOTES:

1 The calculation of basic earnings per Share is based on the profit attributable to ordinary equity holders of the Company divided by the weighted average number of ordinary shares in issue during the relevant year.

2 Return on average total equity holders' equity is equal to the profit attributable to ordinary equity holders of the Company for the year divided by the average of opening and closing total equity holders' equity.

3 The calculation of gearing ratio is based on the total borrowings divided by the total assets of the Group at the end of the year.

4 The calculation of net asset value per Share is based on the total number of Shares in issue at the end of the year.

5 Average inventory turnover days is equal to the average of opening and closing inventory (or opening and closing inventory of continuing operations in 2024) divided by costs of sales and multiplied by 365 days (or 366 days in 2020 and 2024).

6 Average trade receivables turnover days is equal to the average of opening and closing trade receivables (or opening and closing trade receivables of continuing operations in 2024) divided by revenue and multiplied by 365 days (or 366 days in 2020 and 2024).

7 Average trade payables turnover days is equal to the average of opening and closing trade payables (or opening and closing trade payables of continuing operations in 2024) divided by cost of sales and multiplied by 365 days (or 366 days in 2020 and 2024).

8 On 30 November 2024, the disposal of the KP Global Group was completed. The financial results of the KP Global Group for the period from 1 January 2024 to 30 November 2024 was presented as discontinued operation in the consolidated financial statements and the comparative were re-presented accordingly. The revenue, gross profit and operating profit presented in the summary were re-presented for the continuing operations. The profitability ratios were also re-presented using the amount of continuing operations for calculation.

9 As further explained in note 2.2 to the financial statements, due to the adoption of the revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment. The balances and ratios for each year in the five year financial summary have been adjusted for the effects of the retrospective changes arising from the adoption of revised HKFRSs during the current year.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ding Shui Po *(Chairman)*
Ding Mei Qing
Ding Ming Zhong
Yeung Lo Bun

Non-executive Director

Tan Wee Seng

Independent Non-executive Directors

Bao Ming Xiao
Wu Ka Chee, Davy
Chan Yee Wah

BOARD COMMITTEES

Audit Committee

Chan Yee Wah *(Chairlady)*
Tan Wee Seng
Bao Ming Xiao
Wu Ka Chee, Davy

Remuneration Committee

Wu Ka Chee, Davy *(Chairman)*
Ding Mei Qing
Bao Ming Xiao

Nomination Committee

Ding Shui Po *(Chairman)*
Tan Wee Seng
Wu Ka Chee, Davy

Sustainability Committee

Tan Wee Seng *(Chairman)*
Ding Shui Po
Ding Mei Qing
Chan Yee Wah

COMPANY SECRETARY

Cheung Yan Kiu, FCPA

AUTHORIZED REPRESENTATIVES

Ding Shui Po
Cheung Yan Kiu

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A, 27/F, Tower A
Billion Centre, 1 Wang Kwong Road
Kowloon Bay, Kowloon, Hong Kong

HEAD OFFICE IN THE PRC

Xiamen Xtep Tower, No. 89 Jiayi Road, Guanyinshan
Siming District, Xiamen, Fujian Province, PRC
Postal Code 361008

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP

AUDITOR

Ernst & Young
Certified Public Accountants and
Registered Public Interest Entity Auditor

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Camana Bay
Grand Cayman, KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of China
Bank of East Asia
China Construction Bank
China Minsheng Bank
Hang Seng Bank
HSBC
Industrial Bank

COMPANY WEBSITE

www.xtep.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2024, the Chinese economy navigated a landscape marked by volatility and challenges, with weakening consumer demand casting a shadow over its prospects. In response, the government unveiled a comprehensive array of economic stimulus measures at the end of September to boost growth and restore confidence. This strategic intervention led to signs of recovery in market sentiment and consumer spending. According to the National Bureau of Statistics, China's GDP and total retail sales of consumer goods increased by 5.0% and 3.5% year on year, respectively, in 2024, with a notable acceleration in the fourth quarter. Meanwhile, the sportswear sector demonstrated resilience, outpacing the overall retail sector growth. The core Xtep brand and Saucony reported encouraging retail sales growth of high single digits and over 60%, respectively. Rising health awareness and increasing demand for physical activity are expected to further unleash latent consumption potential, ultimately fostering a stable outlook for the sportswear industry.

PERFORMANCE REVIEW

Against the backdrop of a volatile economic environment, we are pleased to report a solid set of results for 2024. Revenue of the Group's continuing operations increased by 6.5% to RMB13,577.2 million (2023: RMB12,742.9 million), with gross profit margin reaching 43.2% (2023: 41.8%). Operating profit of the Group's continuing operations increased by 9.3% to RMB1,965.5 million (2023: RMB1,798.0 million). Profit attributable to ordinary equity holders of the Company reached a new all-time high of RMB1,238.4 million (2023: RMB1,030.0 million), an increase of 20.2%. Basic earnings per Share was RMB48.7 cents (2023: RMB40.8 cents). The Board has proposed a final dividend of HK9.5 cents per Share, with an option to receive scrip shares in lieu of cash. Together with the interim dividend of HK15.6 cents per Share, the full year dividend payout ratio was 50.0%. Additionally, with a special dividend of HK44.7 cents per Share, the total dividend increased by 221.7%, resulting in a payout ratio of 138.2% (2023: 50.0%).

RUNNING-LED STRATEGY TO PURSUE HIGH-QUALITY GROWTH

Following the divestiture of K·SWISS and Palladium in November, we have focused on executing our strategic initiatives designed to drive growth and optimize operations. This transition has allowed us to realign our strategy to prioritize running and allocate resources effectively. The three highly profitable brands currently in our portfolio, namely the core Xtep brand, Saucony and Merrell, possess unique attributes that reinforce the Group's leadership in the running segment. Collectively, they are expected to generate substantial synergies and facilitate sustainable growth.

CHAIRMAN'S STATEMENT

The Group's strategic focus on running has bolstered its ambition to be the most preferred brand for both elite and mass market runners in China. In 2024, our "professional-to-mass influence" strategy has proven effective, enabling us to evolve from being the number one brand for sub-three-hour marathon runners to achieve the highest overall wear rates in major marathons[4]. In the six major marathon events[3] in China, Xtep running shoes have clinched the top spot in overall wear rate among all runners and sub-three-hour runners[4]. At the Shanghai Marathon, one of only two Platinum Label Road Races recognized by World Athletics in China, Xtep running shoes recorded a 22.4% wear rate among all runners, surpassing international brands and claiming the top position for the first time[4]. Our unrivaled dominance was further extended as Saucony demonstrated impressive wear rates and ranked third in prominent marathons[4], solidifying our position as the number one running brand in China. Bolstered by our leadership in the running market, we are excited to explore new avenues of expansion in the mass market by increasing our focus on retail channel management to enhance the customer experience in our physical stores. Concurrently, we will refine our cost structure to elevate supply chain efficiency, ensuring an efficient replenishment process that supports sustainable, high-quality growth.

CULTIVATING THE NEXT CHAPTER OF GROWTH

In 2024, the competitive landscape experienced significant change. Emerging sports brands gained traction as consumers increasingly sought unique offerings, innovative designs, and a deeper connection to their values and lifestyle. Building on its century-long legacy in running and its commitment to elite athletes, Saucony has leveraged synergies with the core Xtep brand to enhance its competitiveness in professional running equipment, resulting in significant success over the past five years and robust retail sales growth in 2024. By effectively carving out its niche with visible innovations that deliver superior performance and recognizable differentiation, Saucony has demonstrated its ability to rise to the challenge of a segmented market, becoming the first new brand in our portfolio to achieve profitability in 2023 and exceed RMB1 billion in revenue in 2024. As we diligently enhance our branding initiatives for Saucony, we are also elevating its store aesthetic with the launch of new flagship and concept stores, paving the way for the expansion of apparel and lifestyle offerings. We look forward to Saucony's next chapter of growth as an important catalyst for the Group's long-term sustainable development.

The rapidly growing outdoor sports segment in China represents a promising opportunity for Merrell to expand its market presence in the coming years. In catering to diverse outdoor activities, we will leverage Merrell to address market niches with meticulously crafted products that emphasize advanced performance and adaptability for outdoor enthusiasts. Utilizing a comprehensive omnichannel sales approach and a compelling brand identity, Merrell has actively pursued expansion in the e-commerce sector, resulting in favourable outcomes.

NAVIGATING CHALLENGES AND BUILDING RESILIENCE

While the near-term competitive landscape presents challenges, it also offers promising opportunities for brands that strategically focus on specific customer segments, particularly runners. Capitalizing on the growing popularity of running among mass market participants, the core Xtep brand has refined its functional offerings and enhanced its value proposition, driving resilient growth. With our esteemed reputation in the running market and the synergies between the three brands in our portfolio, we are ready to look to the future with cautious optimism. We remain vigilant regarding the persistent headwinds impacting consumption growth, driven by economic and geopolitical uncertainties. With long-term government measures aimed at boosting consumer confidence and stimulating economic growth, we stand ready to harness this potential to drive our future success.

I would like to express my sincere gratitude to every member of our staff for their unwavering dedication and efforts, which have contributed significantly to Xtep's progress. I also wish to extend my appreciation to our shareholders for their continued support for the Group's future development goals and strategies. In recognition of this trust, the entire Xtep team will continue to work diligently to generate enhanced returns for our shareholders.

Mr. Ding Shui Po
Chairman
Hong Kong, 18 March 2025

[3] 2024 Beijing, Shanghai, Xiamen, Wuxi, Guangzhou and Chengdu Marathons

[4] Source: Joyrun

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET DEVELOPMENT

Running boom gathers pace in China

The running boom in China shows no signs of slowing down, as evidenced by the impressive participation in marathons across the country. The country held 671 marathons and road running races in 2024 with 6.56 million participants, according to the Chinese Athletics Association. In November 2024, a total of 114 events were held nationwide, including over 30 marathons that took place simultaneously on "Super Marathon Weekend" on 3rd November. Among these were the Beijing, Hangzhou, and Xi'an Marathons, which attracted over 400,000 runners from around the world.

Marathons in China have gained immense popularity among both elite runners and fitness enthusiasts, reflecting a broader movement toward health and wellness across the nation. As China's sports consumption and industry have flourished in recent years, running events have emerged as significant economic drivers for host cities. With local governments eager to promote marathons as vital strategies for economic growth, boosting consumption and consumer confidence, these events are poised to reach new heights.

The emergence niche brands amid competitive retail landscape

Consumer spending in China has been tepid, largely due to uncertainties surrounding future income and economic growth. In response, brands are ramping up their discount and promotional efforts as Chinese consumers become more conscientious about their purchases, meticulously comparing prices across various channels and retailers in search of value. Despite this cautious mindset, consumers in China are increasingly drawn to brands that concentrate on specific niches instead of those with a broad appeal. They often emphasize meaningful purchases that enhance their sense of fulfilment and happiness, actively seeking products that reflect their personal values and lifestyles. This shift has spurred the rise of niche brands that adopt premium pricing and positioning, catering to consumers' desire for quality and distinctiveness. This trend not only challenges traditional market players but also fosters deeper connections between brands and their audiences, creating a marketplace where individuality and personal expression are highly valued.

Robust recovery of online spending

The Chinese e-commerce market was poised for a significant transformation in 2024. As the country reported robust growth in online consumption, its e-commerce logistics index averaged 113.7 points, an increase of 3.6 points from the previous year, marking a near seven-year high, according to the China Federation of Logistics & Purchasing. The "Double 11" Shopping Festival in 2024 once again set the benchmark for e-commerce success. Tmall reported that 589 brands surpassed RMB100 million in sales, reflecting a 46.5% increase from 2023. JD.com also achieved historic milestones, with a 20% rise in shopping users and more than 17,000 brands experiencing sales growth exceeding 500%. Major e-commerce platforms in China are reshaping online shopping by prioritizing user experience over price competition. Brands are increasingly leveraging data analytics to understand consumer behavior, allowing for tailored offerings and marketing strategies. This dynamic landscape encourages continuous evolution, making customer-centric approaches vital for success in the expanding online marketplace.

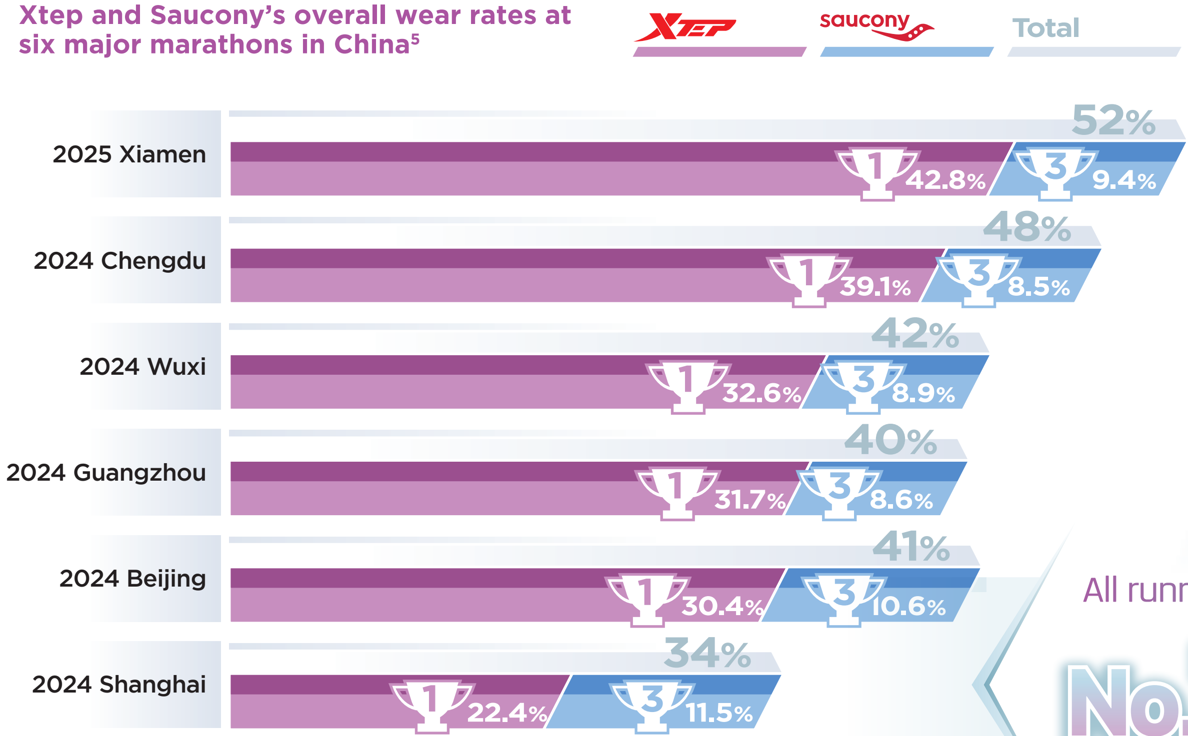
BUSINESS REVIEW

Running

"Professional-to-mass influence" strategy proves effective
Reaffirming our position as the No. 1 running brand in China

Having previously secured our dominance in running with the highest wear rates among sub-three-hour marathon runners, we now consistently hold the top position in wear rates among all runners in major marathons, demonstrating the effectiveness of our "professional-to-mass influence" strategy. In the six major marathons of 2024 and 2025 - Shanghai, Beijing, Xiamen, Guangzhou, Wuxi, and Chengdu - Xtep achieved a remarkable clean sweep, recording the highest wear rates among all participants and sub-three-hour runners[5]. This impressive achievement makes Xtep the first brand in history to achieve such remarkable results.

Xtep and Saucony's overall wear rates at six major marathons in China[5]

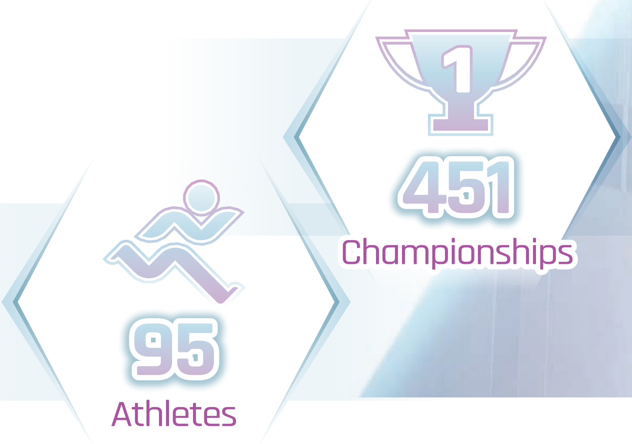


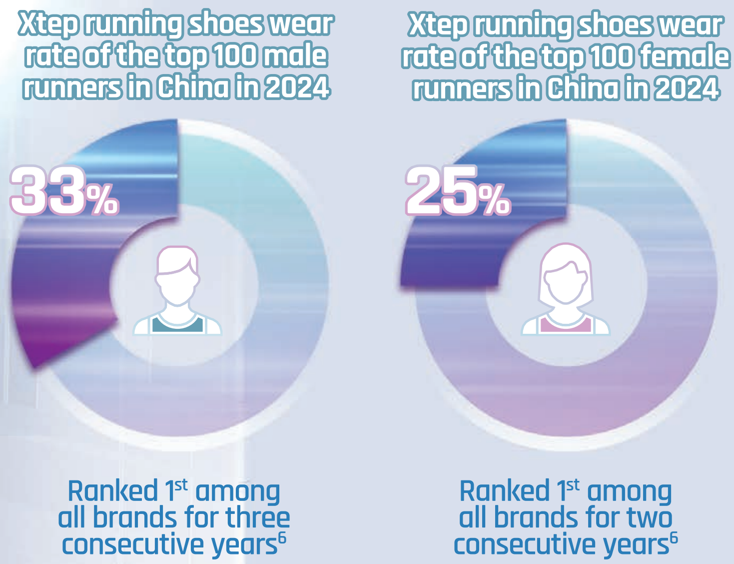
At the 2024 Shanghai Marathon, one of only two Platinum Label Road Races in China recognized by World Athletics, Xtep running shoes boasted an overall wear rate of 22.4%[5]. This marked the first time the brand surpassed international brands to secure the top position among all runners, while also setting the highest wear rate among sub-three-hour runners, leaving both international and domestic brands trailing behind. Our unrivaled dominance was further reinforced by Saucony's impressive wear rates in prominent marathons. The combined wear rate of the core Xtep brand and Saucony among all runners in the Guangzhou and Chengdu marathons reached 40.3% and 47.6%, respectively[5], solidifying our position as the number one running brand in China.

[5] Source: Joyrun

MANAGEMENT DISCUSSION AND ANALYSIS

Xtep maintained the leading wear rate among the top 100 male and female runners in China for three and two consecutive years, respectively[6], clearly establishing its identity as a premier running brand for both elite and mass market runners.





Best-in-class products engineered to break new marathon records

Xtep's championship running shoes have ushered in a remarkable era of champions in Chinese marathons, empowering these athletes to shatter records on their extraordinary journeys. As of 31 December 2024, we have helped 95 athletes claim 451 championships.

In the inaugural race of the Elite Platinum Label in 2024, the Xiamen Marathon, Dong Guojian wore the "160X 5.0 PRO" to secure the domestic championship, breaking the Chinese men's record of Xiamen Marathon that had stood for sixteen years. In March 2024, He Jie donned the "160X 3.0 PRO" to break the national marathon record once again, finishing the Wuxi Marathon in an astounding time of 02:06:57, ushering China into the "2:06" era. Our "160X" series also helped Yang Jiayu win gold in the women's 20 km race walking event with a time of 1:25:54, marking China's first gold in track and field at the 2024 Paris sports event.

[6] Source: 98 Run

MANAGEMENT DISCUSSION AND ANALYSIS

Launch of "160X 6.0 PRO" and new generation "160X 6.5 PRO"

In August 2024, the "160X 6.0 PRO" made its debut at the "Leading the Golden Era" product launch conference in Xiamen. Featuring the upgraded "XTEP POWER Kinetic Energy Technology – GT700 Carbon Fiber Plate" and the "XTEP ACE Upgrade Flick Technology – Injection Moulding Foam," the "160X 6.0 PRO" offers improved resistance to degradation and a 6.1% increase in rebound strength. Additionally, the shoe enhances running economy by 4% and is nearly 20% lighter than the previous generation. In March 2025, we further upgraded the model and launched the "160X 6.5 PRO", featuring improved midsole bonding, superior cushioning support and reinforced insoles to help athletes maintain peak speeds.

160X 6.5 PRO

"260X 2.0"

In December 2024, Xtep released the new "260X 2.0" multi-scenario carbon fiber plate running shoe, which features a T400 carbon fiber plate. The new series adopts a hollowed-out design and a midfoot shank for reinforcement to improve running economy, while offering enhanced rebound performance and shock absorption.

MANAGEMENT DISCUSSION AND ANALYSIS

"360X" and "360X 2.0" hit the mass market

In March 2024, we launched the "360X" carbon fiber plate running shoe, which incorporates three champion technologies. "XTEP POWER" technology, combined with the T400 carbon fiber plate, enhances propulsion and stability. "XTEP ACE" technology is integrated into the midsole for optimal shock absorption, and "XTEP FIT" technology utilizes an extensive foot shape database to craft running shoes tailored to suit the foot shapes of Chinese individuals. Celebrated as one of the best-selling shoes of 2024, the "360X" has created a buzz in the marketplace with its remarkable value. Building on the success of its predecessor, the "360X 2.0" was launched in March 2025 to further elevate the running experience, featuring improved materials for greater rebound and durability.

Comprehensive performance collection

PRICE RANGE (RMB)

Elite series (2,600 – 900)	Professional series (800 – 500)	Mass market series (500 – 200)
160X MONXTER RMB2,599	260X 2.0 RMB799	360X 2.0 LITE RMB499
160X 6.5 PRO RMB1,299	260X RMB799	2,000 KM RMB499
160X 6.0 PRO RMB1,299	XTEP 100 2.5 PRO RMB799	REACTIVE COIL 11 RMB499
160X 3.0 PRO RMB1,299	REACTIVE COIL 10 PRO RMB699	FEATHER FOAM RMB439
ZOUWU PRO RMB1,099	360X 2.0 RMB599	ULTRA FAST RMB399
160X 6.5 RMB999	360X RMB599	QING YUN LITE RMB399
160X 6.0 RMB999	QING YUN RMB599	XING YUN RMB299

The shoes are equipped with carbon fiber plate.

MANAGEMENT DISCUSSION AND ANALYSIS

Running community engagement

Since 2007, Xtep has dedicated its efforts to promoting public health and advancing the country's sports development. We have established the largest running ecosystem in Mainland China by building lasting relationships with professional marathon athletes and nurturing a vibrant running community.

Marathons

In 2024, we optimized our resources to sponsor renowned marathons and running events throughout China, endorsing a total of 44 events. These included the illustrious Xiamen Marathon, a prestigious World Athletics Platinum Label event that we have been honored to support for 16 consecutive years. We also extended our support to several esteemed Gold Label marathons, including the Chongqing Marathon, Yangzhou Jianzhen Half Marathon, Taiyuan Marathon, Changsha Marathon, and Chengdu Marathon, enriching the dynamic running landscape in China.

Major marathons and running events sponsored by Xtep in 2024

JAN
- Shishi Marathon
- Xiamen Marathon

MAR
- Chongqing Marathon
- Wuhan Marathon
- Yangzhou Jianzhen Half Marathon

APR
- Beijing International Running Festival cum Beijing Half Marathon
- Jiangyin Half Marathon
- Qianjiang Fanwan Lake Marathon

MAY
- Zhuzhou Marathon
- Healthy Run Themed "Beautiful and harmonious countryside" Yibin, Sichuan Station
- Rushan Women's Half Marathon
- Baoqing Marathon

JUN
- Healthy Run Themed "Beautiful and harmonious countryside" Changzhi, Shanxi Station
- Jilin Marathon

AUG
- Healthy Run Themed "Beautiful and harmonious countryside" Lingwu, Ningxia Station

SEP
- Healthy Run Themed "Beautiful and harmonious countryside" Handan, Hebei Station
- Shenyang Marathon
- Taiyuan Marathon

OCT
- Healthy Run Themed "Beautiful and harmonious countryside" Jinjiang, Fujian Station
- Changsha Marathon
- Chengdu Marathon

NOV
- Xi'an Marathon
- Zhengzhou Marathon

DEC
- Hangzhou Women's Half Marathon
- Xiamen Haicang Half Marathon
- Jinjiang Marathon
- China Annual Ranking Marathon
- Xiamen Huandong Half Marathon
- Changsha Red Half Marathon

MANAGEMENT DISCUSSION AND ANALYSIS

Xtep Running Clubs

Xtep Running Clubs are strategically located in the finest city parks and popular running venues throughout China and provide members with seamless professional services. These services include personalized running consultations, group support, mobile charging stations, and shower facilities. By organizing regular running events through the running clubs and their affiliated groups, we have effectively deepened community engagement and strengthened our running ecosystem.

Xtep's "Running the Jianghu: Rivers and Lakes" series of activities designed for Xtep Runners Club successfully inspired the public's enthusiasm for sports. In October 2024, Xtep Runners Club brought together passionate runners to journey along the Yellow River. Over the course of 81 days, more than 60,000 participants ran through 30 cities in eight provinces, covering a total distance of 5,500 kilometers to reach the Yellow River estuary. This event not only explored and celebrated Yellow River culture, but also marked a significant milestone in the history of the Xtep Runners Club.

72
Xtep Running Clubs

2,200,000+
Xtep Runners Club Members

5,900+
Xtep Runners Groups

MANAGEMENT DISCUSSION AND ANALYSIS

Outdoor

With an increasing number of Chinese people engaging in outdoor activities, the outdoor sports sector has experienced rapid growth in recent years, a trend that is also reflected in the expansion of our outdoor segment. After two years of meticulous development, we unveiled "Zouwu PRO", our first all-terrain carbon plate trail running shoe crafted for professional athletes and seasoned runners. Featuring a state-of-the-art T400 carbon plate and "XTEP ACE" technology, the series delivers exceptional cushioning and efficiency for a smooth run. The outsole also incorporates "Vibram" and "XTEP DURA" technology to ensure strong grip and stability on the most demanding terrains.

Basketball

Xtep partnered with spokesperson Jeremy Lin to advance the development of basketball in China. During his visit to Guizhou in August, Jeremy donated basketballs to local youth and participated in games to inspire them to pursue their dreams. At the event, he presented JLIN5 basketball shoes to fans, creating an electrifying atmosphere. Additionally, Jeremy attended the grand opening of the Xtep store at Dolphin Square in Guizhou, engaging enthusiastically with media and fans, and provided commentary for the 3x3 Super League.

In September, Xtep collaborated with another basketball spokesperson, Zhang Zhenlin, to launch new signature product, ZL1 signature shoe. This shoe boasts an enveloping TPU with stable lateral support, and incorporates "XTEP ACE" midsole technology, which enhances bounce and boosts athletic performance. It also features a breathable woven mesh upper paired with multi-angle wear- and slip-resistant rubber, ensuring comfort and stability for users during their games.

MANAGEMENT DISCUSSION AND ANALYSIS

FOOTWEAR TECHNOLOGIES

RACING/ TRAIL RUNNING

For expert/advanced runners who participate in marathon and trail running events and seek high performance.

XTEP ACE 科技

Featuring PISA supercritical foaming technology, the midsole has excellent properties including high rebound, strong cushioning, and lightweight design. It effectively reduces the risk of sports injuries and enhances athletic performance.

XTEP FIT 科技

Leveraging big data on foot shapes, the shoe lasts are crafted to accommodate the feet of diverse runners, ensuring a comfortable fit for Chinese feet.

XTEP POWER 科技

Ergonomically designed to meet various athletic needs, this technology provides propulsion and stability, as well as torsional resistance to enhance athletic performance.

CUSHIONING

For intermediate runners who seek a balance between performance and comfort.

REACTIVE COIL 减震旋™

The unique hollow design provides effective structural cushioning, while the double-layered hollow design of the rear sole section enhances space and force deformation levels, resulting in excellent shock absorption performance.

聚能弹 ENERGETEX

The newly developed PTU foam particles offer remarkable supple rebound capability and excellent compression durability. Experiments have shown a significant increase in resilience and a reduction in energy loss compared with ordinary materials, creating a comfortable exercise experience with dynamic rebound performance.

FeatherFoam 特步඗羽

The special polymer material is lightweight and provides excellent pressure resistance, enabling runners to enjoy a light and rebounding stride with every step during exercise.

RUN FIT

For beginner runners who prioritize comfort in their exercise experience.

X-FLOW 氢风科技

The lightweight midsole materials and TPU hollow structure of the full-foot midsole effectively reduce the outsole's weight and dissipate heat from the foot. This design helps evaporate sweat from the sole, circulates air in and out of the shoe cavity, and reduces load during exercise.

气能环® AIR MEGA 特步气能环科技

Features a cushioning system comprising single or multiple air cushion structures of varying shapes. Its assortment is based on dynamic pressure distribution on the sole, resulting in effective pressure-buffer and shock absorption during exercise.

COMFYCUBES™

After conducting an in-depth study of human gait and stress point distribution, a collection of independent soft cube modules for the sole was developed. These modules can be arranged flexibly according to the dynamic pressure distribution of the sole, providing a comfortable stepping experience.

APPAREL TECHNOLOGIES

XTEP – DRY — KEEP YOU DRY

Moisture Absorption and Quick Drying

Rapid sweat absorption and drying technology to keep athletes dry and comfortable, thus enhancing athletic performance.

Quick-Drying Cotton

The outstanding cotton fabric is breathable and wicks away perspiration for a dry and comfortable workout.

XTEP – COMFORT — KEEP YOU COMFORTABLE

Smooth and Skin-friendly Fabric

Selectively adopts an even and flat fiber, which is delicate and soft, smooth to the touch, reducing skin friction.

X-SEAMLESS-TECH

Seamless, soft and lightweight clothes to subtly conform the body shape, providing runners with a comfortable experience.

Sports Elasticity

Ergonomic designs offer multi-dimensional protection and support during sports, assuring better athletic performance.

XTEP – SHIELD — KEEP YOU PROTECTED

Anti-UV

Protects the skin from harmful ultraviolet rays when engaging in outdoor sports.

Antibacterial

Inhibits bacteria proliferation and growth on fabric, thus reducing odor and keeping activewear smelling fresh for a long period of time.

Water-Resistant

Water-resistant to offer dryness and comfort in wet conditions.

Triple Protection

A functional fabric that prevents most water-based oil stains from penetrating, making it easy to keep clothes clean and tidy.

Anti-Static

Special anti-static technology to effectively reduce static charges, ensuring a comfortable wearing experience.

XTEP – COOL — KEEP YOU COOL

Polar Ice Fiber

Innovative silk materials of Polar Ice Fiber with heat conduction and heat dissipation technology to provide cool comfort.

Cottony Soft Cooling Sensation

A quick cooling effect that is breathable and comfortable on the skin, giving wearers a refreshing sports experience.

Ice Fiber

The fibres increase the rate of heat dissipation for a long-lasting cool experience.

Ice Print

When sweat comes into contact with the icy print, it triggers a cooling effect on the skin, leaving it feeling cool.

XTEP – WARM — KEEP YOU WARM

Light, Thin and Warm

Adopts ultra-fine fiber and high-density woven fabric combined with high-fluff padding, allowing for a lighter and warmer wearing experience and effortless movement during sports.

Retains Shape and Warmth

The material has a tightly-knitted outer layer and a fluffy inner layer that retains air in between, achieving both warmth and shape retention.

XTEP – ECO — PROTECT THE WORLD

Recycled Synthetic Fiber

Made from recycled plastic bottles or waste materials, which are crushed, melted, and spun into fibers, to conserve energy and safeguard ecological balance.

Modal Fiber

Adopts modal fiber sourced from European wood, which is environmentally friendly, biodegradable, soft, and skin-friendly, designed for long-lasting natural comfort.

Organic Cotton

All-natural, pollution-free, and highly air-permeable organic cotton is soft and warm to the touch, allowing wearers to feel closer to nature.

Degradable Polylactic Acid

The polylactic acid fiber, made from raw materials including corn, undergoes fermentation, polymerization, and spinning. It degrades quickly, is recyclable, and provides a skin-friendly, hypoallergenic, antibacterial, and comfortable experience.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail management and branding

Effective retail management has significantly enhanced our brand image. Our ninth-generation stores feature spacious, aesthetically captivating designs that integrate advanced technologies such as controlled lighting, digital displays and dynamic visual merchandising. These enhancements not only increase average transaction values, but also improve overall store productivity. By prioritizing a digital-first approach to consumer engagement, our modern retail format has successfully attracted and connected with younger audiences, fueling impressive brand recognition and loyalty.

As at 31 December 2024, there were 6,382 Xtep Adult branded stores, mainly operated by authorized distributors in Mainland China and overseas (31 December 2023: 6,571).

E-commerce

In 2024, e-commerce business continued to be a powerful driver of the Group's development, demonstrating robust growth of approximately 20%. This segment accounted for over 30% of the core Xtep brand's total revenue, underscoring its critical role in the overall business strategy of the Group. Emerging platforms, including Douyin, WeChat Channels and Rednote, appeared as standout retail channels, achieving an over 80% growth and capturing the attention of consumers seeking interactive shopping experiences.

6,382

Number of Xtep Adult branded stores in Mainland China and overseas as at 31 December 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Xtep Kids

We offer a holistic health development solution for Chinese children through a combination of products, data insights, training courses, and expert guidance. These initiatives have yielded remarkable results, as evidenced by the rapid growth of our Xtep Kids business and a substantial increase in profitability. This success not only underscores our unwavering commitment to the well-being of children, but also highlights our strong competitive position in the market. As at 31 December 2024, there were 1,584 Xtep Kids stores in Mainland China (31 December 2023: 1,703), predominantly operated by the Group's authorized distributors.

"Xtep 100 2.5PRO" debuted on Poizon

In December, Xtep Kids had a grand launch of the new "Xtep 100 2.5PRO" running shoe, specifically designed for teenagers. This innovative series features enhanced lightness, flexibility, and stability, seamlessly blending agility with comfort. The advanced T400 junior carbon fiber plate, which boasts a higher carbon content than its predecessor, increases rigidity and promotes smoother acceleration. Additionally, the midsole density has been reduced using "XTEP ACE" technology to provide a heightened sense of acceleration, ensuring exceptional performance on the track.

Xtep Kids and Shanghai University of Sport jointly launched training for healthy growth experts

Committed to the healthy development of Chinese children, Xtep Kids has established a long-term strategic partnership with the Shanghai University of Sport. The two parties jointly launched the first Xtep Kids Healthy Growth Expert Training Program, aimed at enhancing Xtep employees' professional knowledge in youth development and improving their sales consulting services. Lectures were delivered by esteemed professors from the Shanghai University of Sport, providing a comprehensive understanding of youth sports and growth. Going forward, Xtep Kids will continue to deepen its collaboration with top universities and leverage advanced technologies to ensure the healthy growth of the nation's youth.

A+ Healthy Growth Sneaker

MANAGEMENT DISCUSSION AND ANALYSIS

Professional sports

As the first new brand to achieve profitability in 2023, Saucony has maintained an impressive growth trajectory again this year, surpassing RMB1 billion in revenue. In 2024, revenue from the professional sports segment realized a year-on-year growth of 57.2% to RMB1,250.3 million, accounting for 9.2% of the Group's total revenue. The segment also recorded an operating profit of RMB78.2 million, a substantial increase compared to the operating profit of RMB8.4 million in 2023.

Business development

Saucony has significantly increased its brand recognition among elite runners, reflecting its commitment to quality and performance. The brand's wear rate has consistently ranked top three among international brands in prominent domestic and international marathons[7], further solidifying its reputation in the running segment. To capitalize on this momentum, Saucony has embarked on an exciting rebranding journey that encompasses retail channels, product offerings, and marketing. This initiative includes the launch of new flagship and concept stores in premium shopping malls, as well as an expanded range of apparel and lifestyle products designed to appeal to a broader audience and enhance the overall customer experience.

In September, Saucony unveiled its first-ever concept store at The Mixc Shenzhen, marking a new chapter for the century-old sports brand with a new visual space in Shenzhen. This new visual space design features a "fissioning moon" to showcase Saucony's core running shoe technology, as well as pay tribute to the historic moment in 1965 when astronauts made their first spacewalk wearing Saucony space shoes. In November, Saucony expanded its footprint with the launch of its first urban store at the Hopson One Mall in Beijing. The urban store continues the moon concept at its entrance and incorporates iconic Beijing running routes, creating a unique and immersive experience that celebrates both the city's culture and Saucony's commitment to the running community. As at 31 December 2024, there were 145 Saucony stores in Mainland China.

[7] Source: Joyrun

MANAGEMENT DISCUSSION AND ANALYSIS

Product innovation and marketing

In addition to providing elite runners with top-tier performance gear, including the newly launched "TRIUMPH 22", "ENDORPHIN PRO 4", "ENDORPHIN SPEED 4" and "HURRICANE 24" series, Saucony is poised to expand its apparel and lifestyle offerings to cater for the diverse needs of consumers. In 2024, the brand introduced a series of co-branded collections that have garnered considerable attention in the market. It partnered with designer Jae Tips to launch the "ProGrid Omni 9" series, bringing a fresh fashion perspective to the classic Omni shoe with Jae Tip's forward-thinking design concept. In addition, Saucony collaborated with LAMFO to release the 2024FW co-branded series titled "THE RUNNER RETURNED HOME IN TRIUMPH." This marked the second collaboration between the two brands featuring the "TRIUMPH 22" model. The shoes are adorned with artistic insoles in gold, red, and white, symbolizing victory and effectively conveying strength and glory. This strategic initiative not only enriches Saucony's product line, but also highlights its commitment to appealing to a broader demographic, ensuring that both professional athletes and casual enthusiasts can discover stylish and functional options that fit their lifestyles.

Merrell is dedicated to providing outdoor enthusiasts with high-performance apparel and footwear that seamlessly blend comfort and functionality. In 2024, the brand organized a series of outdoor events to allow athletes to experience its products firsthand. During the fall season, Merrell partnered with women's brand SENIQ to host a hiking experience in Bend, Oregon, to encourage more women to connect with nature while wearing Merrell's wind and waterproof "Moab Speed 2 GTX" hiking shoes. Additionally, Merrell assembled a team of 30 trail running enthusiasts to participate in the 2024 TORX CHN100 Shenzhen Mountain Running Race in December, empowering them with "MLT LONG SKY 2 MATRYX" footwear. Through these activities, Merrell not only celebrates the passion for outdoor sports, but also strengthens its commitment to inspiring people to seize every opportunity to explore and connect with the natural world.

MANAGEMENT DISCUSSION AND ANALYSIS

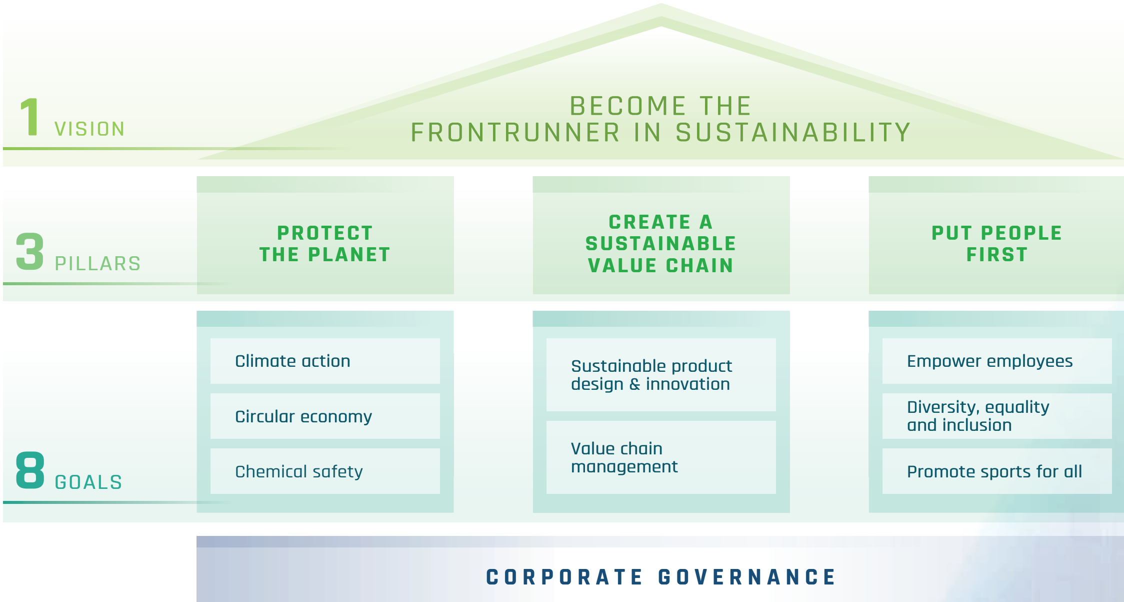
Sustainability

MSCI ESG Rating upgraded to "A"

In July 2024, Xtep distinguished itself as the first company in the Chinese sporting goods sector to attain an "A" rating in MSCI ESG Rating. This recognition reflects our substantial advancements in critical areas such as supply chain labor standards, labor management, corporate governance, and business ethics, underscoring our dedicated efforts and remarkable success in ESG management.

Launch of 2030 ESG strategic framework

In 2024, Xtep officially unveiled its 2030 ESG strategic framework, which centers on three core pillars: "protect the planet", "create a sustainable value chain" and "put people first", supported by eight specific objectives. This framework not only showcases the strategic upgrades to our "10-Year Sustainability Plan", but also emphasizes our commitment to integrating environmental protection and social responsibility into our business development. Furthermore, Xtep commits to reducing absolute greenhouse gas emissions from its own operations by 42% by 2030 and aims for carbon neutrality by 2050.



Promoting society's well-being

Xtep considers contributing to the society as part of its corporate culture. As such, we have engaged in multiple philanthropic initiatives to make a positive impact on society. During 2024, Xtep donated sportswear and financial contributions exceeding RMB58 million. In January 2025, a magnitude 6.8 earthquake struck Tingri County, Shigatse City, Tibet, causing significant casualties. Xtep took swift action after the disaster, immediately donating RMB10 million worth of winter supplies to the affected areas in Tingri County as part of relief efforts, aiding those in need as they work to overcome challenges and rebuild their homes.

MANAGEMENT DISCUSSION AND ANALYSIS

Driving sustainable change through green initiatives

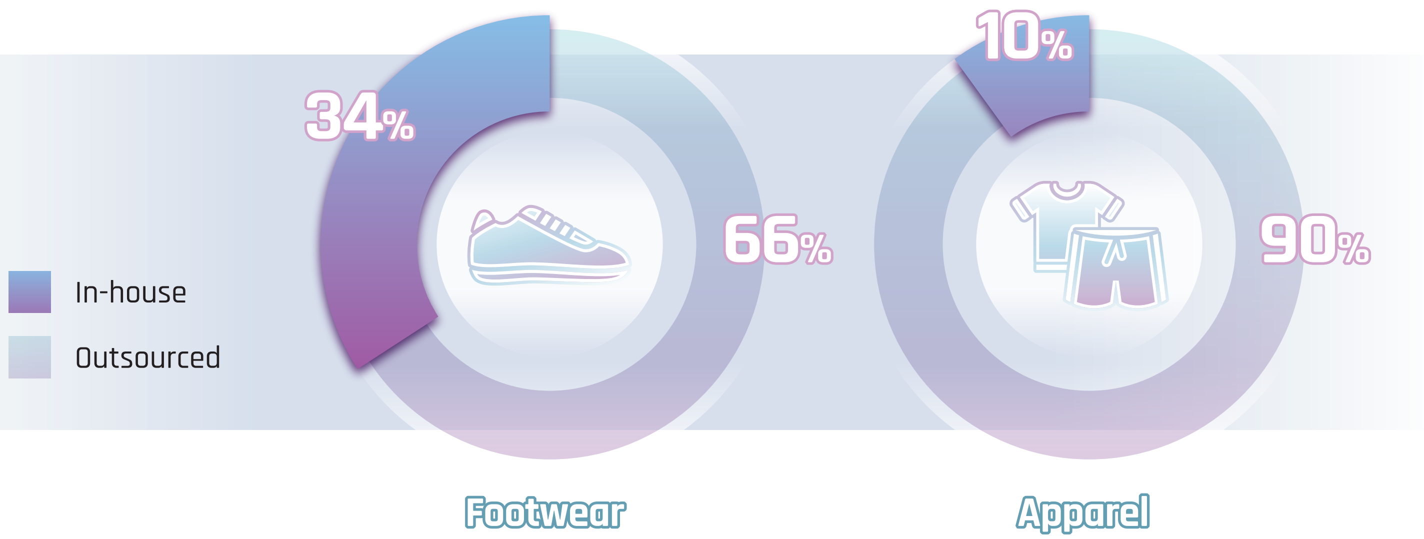
Xtep upholds commitment to environmental protection, actively implementing sustainable development. Building on the success of our eco-friendly T-shirt series for the 2024 Xiamen Marathon, Xtep reaffirmed its dedication to environmental protection by providing official T-shirts made from recycled fibres for the 2025 Xiamen Marathon participants.

In addition, we actively promote green transformation through increasing the usage of renewable energy by 95% in the manufacturing process of our self-operated facilities.

Operations management

Supply chain management

We are committed to facilitating smooth business operations by utilizing our highly efficient supply chain. To enhance efficiency, we consistently optimize the manufacturing processes for footwear and apparel by collectively sourcing materials.



MANAGEMENT DISCUSSION AND ANALYSIS

The industrial park in Bengbu, Anhui Province, which comprises a footwear production facility of approximately 48,000 square meters and an apparel production facility of 25,000 square meters, has effectively supported the ever-expanding business. In 2023, we developed an intelligent manufacturing solution "Wujie" and utilized 5G digital application technology for the industrial park, achieving an 100% digitalization of the apparel production and overcoming category limitations of a single production line. In 2024, the Xtep Anhui Smart Factory was included in "2024 5G Factory Directory" published by the Ministry of Industry and Information Technology, in recognition of our achievements in digitalization and intelligent production.

The construction of the second phase of the in-house production facility in Shishi, Fujian Province, is well underway. This facility will feature state-of-the-art footwear assembly lines to satisfy the increasing demand, covering a total planned gross floor area of about 170,000 square meters. Of this, 30,000 square meters was completed in December 2024 and began operations in January 2025.

Human resources management

As at 31 December 2024, the Group employed approximately 8,900 employees (31 December 2023: approximately 9,100 employees), of which 57.4% were production employees (31 December 2023: 56.8%). Our business development relies on our advanced performance management system to attract and retain talent. We promote regular performance discussions between employees and their supervisors, which helps inform decisions regarding promotions and salary adjustments.

Furthermore, we regularly assess our employees' training needs to ensure they possess the skills required for their current roles. Our Xtep Talent Center offers comprehensive courses in three key areas: professionalism, leadership, and cultural operation. Supported by an online learning platform, these courses enable our employees to acquire new skills and refine existing ones, ultimately enhancing their work performance. As of 31 December 2024, the Xtep Talent Center has offered more than 710,000 hours of online and offline training to employees.

Prospects

The Group's well-defined strategy of concentrating on running has created a clear roadmap for achieving long-term growth. As one of the earliest movers in the running segment, our dedicated efforts to enhance research and development and to build the largest running ecosystem have culminated in our emergence as the number one running brand in China. The Group will continue to leverage synergies among the core Xtep brand, Saucony, and Merrell, ensuring that their combined strengths amplify market share.

Xtep's "160X" running shoe series has witnessed the birth of numerous championships, enabling the brand to achieve the highest wear rate in prominent marathons and solidifying its dominant leadership in the running segment[8]. As a domestic brand dedicated to delivering value-for-money products to the mass market, Xtep will persist in enhancing product performance and crafting running shoes tailored specifically for Chinese runners, empowering them to achieve their personal milestones. Meanwhile, in today's rapidly evolving retail landscape, we are convinced that increased investment in a direct-to-consumer (DTC) strategy for the core Xtep brand will be instrumental in its future growth. By enhancing its direct sales initiatives inspired by Saucony's remarkable success in retail network management, Xtep can cultivate deeper, more personalized customer engagement, foster brand loyalty and boost retention rates. The brand will be well-positioned to swiftly adapt its product offerings, marketing strategies, and customer experiences, improving operational efficiency and facilitating brand upgrade. Looking ahead, the core Xtep brand also intends to gradually streamline its retail channel structure from distribution model to ensure timely and precise market insights, ultimately driving meaningful sales growth.

Saucony has rapidly become the new favourite among runners, serving as the second growth driver for the group. Ranked among the top three brands in wear rates in Chinese marathons[8], its legacy as a century-old icon in the running world has been further solidified. Since 2020, Saucony has primarily relied on the DTC model to expand its retail network in China. This DTC strategy has fueled the rapid growth of the professional sports segment over the past five years. The segment's revenue achieved a compound annual growth rate of over 100% from 2020 to 2024, reaching breakeven in 2023 and continued to demonstrate resilience in 2024. As Saucony scales up its business operations in China, we will further enhance our branding initiatives for the brand and will continue our efforts to launch new flagship and concept stores with elevated aesthetics, paving the way for the expansion of its apparel and lifestyle offerings.

While we remain cautiously optimistic about the industry outlook in 2025 amid economic and geopolitical uncertainties, we anticipate a stable growth in demand for sportswear products and are poised to seize market opportunities through a flexible supply chain that enables us to respond swiftly to changing consumer preferences and trends. The increasing popularity of running, along with government initiatives to boost consumption, has fostered a promising environment for the sportswear sector, serving as a catalyst for long-term growth.

[8] Source: Joyrun

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

CONTINUING OPERATIONS

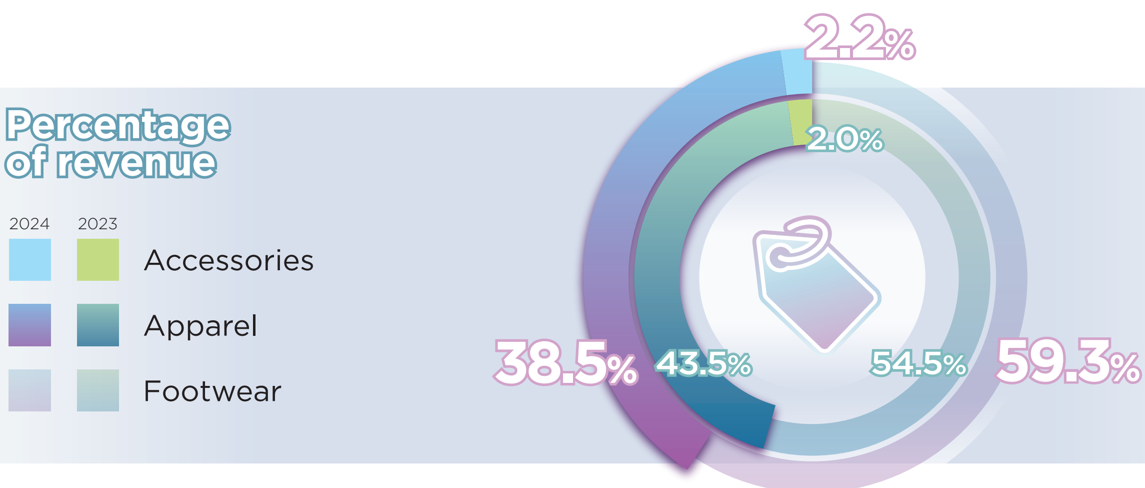
On 30 November 2024, the disposal of the KP Global Group was completed. The financial results of the KP Global Group for the period from 1 January 2024 to 30 November 2024 was presented as discontinued operation in the consolidated financial statements and the comparatives were re-presented accordingly. The financial results presented in the financial review were re-presented for the continuing operations.

Group Revenue Breakdown by Product Category

The following table sets out the contributions to the Group's revenue by product category for the year:

For the year ended 31 December

	2024 Revenue		2023 Revenue		Change in revenue
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	(%)
Footwear	8,054.4	59.3	6,950.7	54.5	15.9
Apparel	5,226.2	38.5	5,541.6	43.5	-5.7
Accessories.	296.6	2.2	250.6	2.0	18.4
Total	13,577.2	100.0	12,742.9	100.0	6.5



Group Revenue Breakdown by Brand Nature

The following table sets out the contributions to the Group's revenue by brand nature for the year:

For the year ended 31 December

	2024 Revenue		2023 Revenue		Change in revenue
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	(%)
Mass market	12,326.9	90.8	11,947.4	93.8	3.2
Professional sports	1,250.3	9.2	795.5	6.2	57.2
Total	13,577.2	100.0	12,742.9	100.0	6.5

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's total revenue can be analysed into mass market and professional sports. The signature brands are:

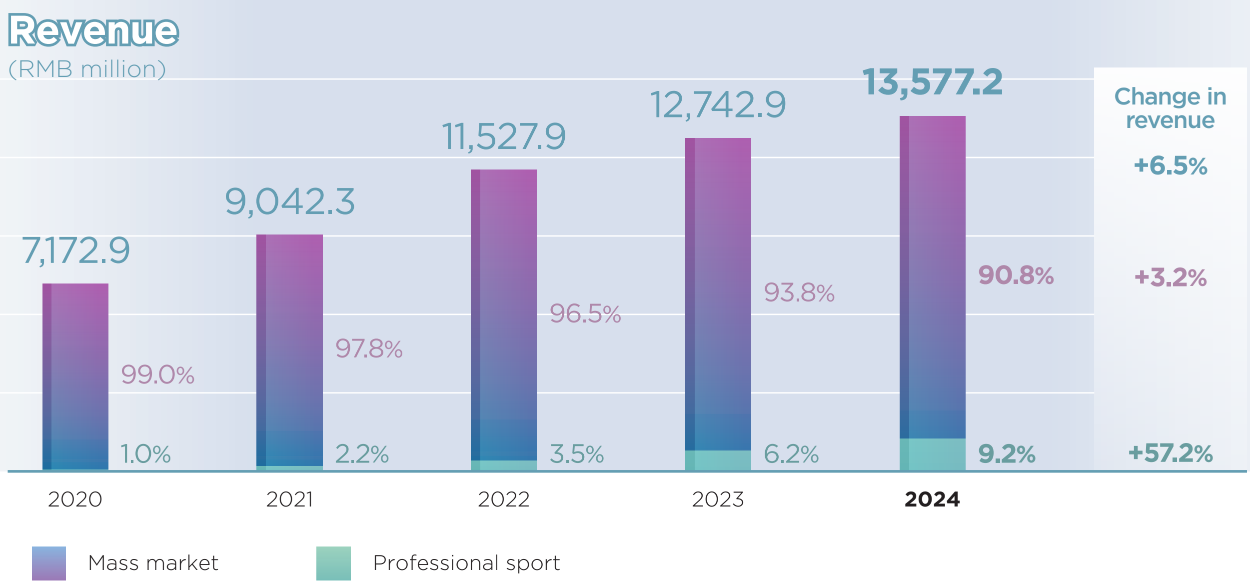
Brand Nature	Signature Brands
Mass market	**Xtep**
Professional sports	**Saucony, Merrell**

Analysis of Group Revenue

The Group's total revenue for the year amounted to approximately RMB13.6 billion (2023: RMB12.7 billion), reflecting a year-over-year increase of 6.5%. This growth was primarily driven by:

- **Mass Market:** Revenue from the mass market segment increased by 3.2% to RMB12.3 billion. This growth was mainly attributed to the strong performance of our online channels, which have seen substantial increases in consumer engagement and sales.

- **Professional Sports:** The professional sports segment saw significant growth of 57.2%, with revenue rising to RMB1,250.3 million. This remarkable increase was driven by higher product popularity and strong retail performance, highlighted by double-digit same-store growth and robust online sales performance.



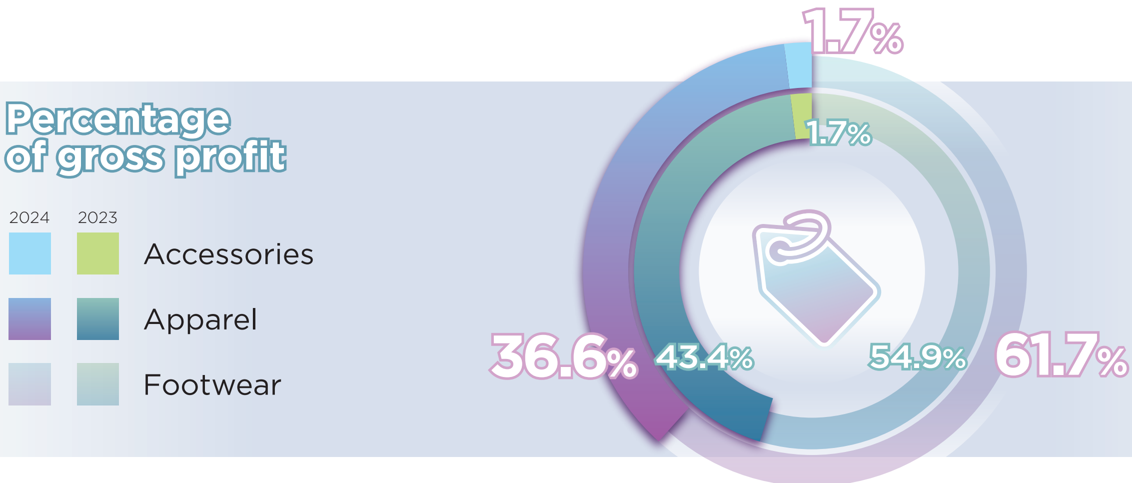
MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin Breakdown by Product Category

The following table sets out the gross profit and the gross profit margin by product category for the year:

For the year ended 31 December

	2024		2023			
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)	Change in gross profit (%)	Change in gross profit margin (% point)
Footwear	3,619.1	44.9	2,932.1	42.2	23.4	2.7
Apparel	2,147.5	41.1	2,311.1	41.7	-7.1	-0.6
Accessories	98.8	33.3	88.0	35.1	12.3	-1.8
Total	5,865.4	43.2	5,331.2	41.8	10.0	1.4



Gross Profit and Gross Profit Margin Breakdown by Brand Nature

The following table sets out the gross profit and gross profit margin by brand nature for the year:

For the year ended 31 December

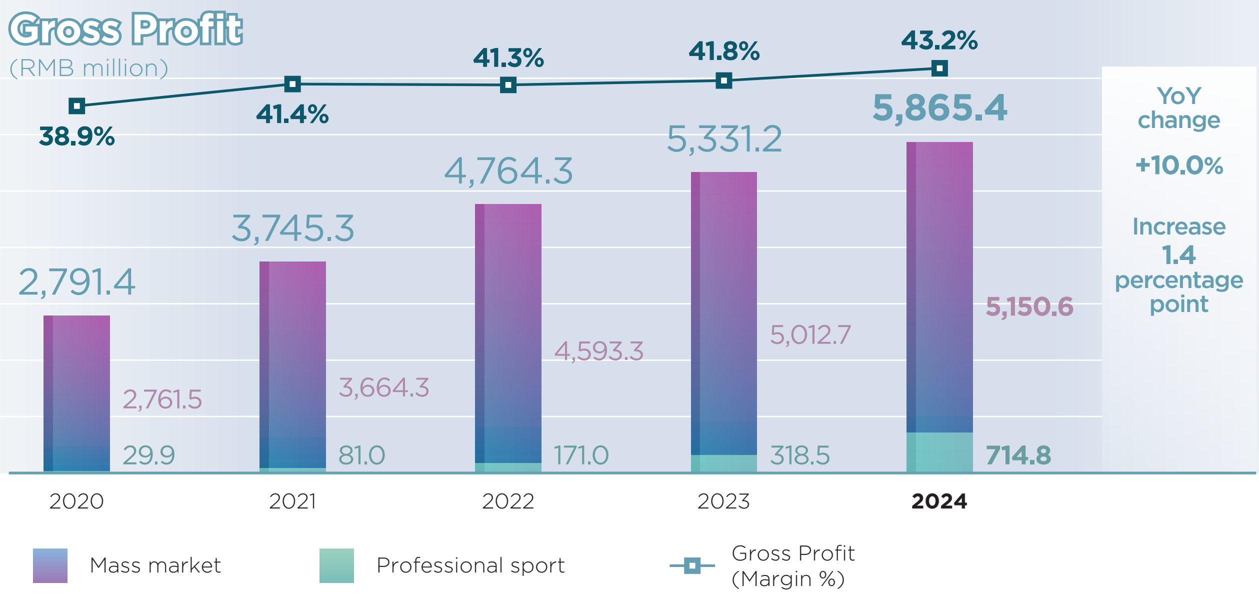
	2024		2023			
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)	Change in gross profit (%)	Change in gross profit margin (% point)
Mass market	5,150.6	41.8	5,012.7	42.0	2.8	-0.2
Professional sports	714.8	57.2	318.5	40.0	124.4	17.2
Total	5,865.4	43.2	5,331.2	41.8	10.0	1.4

Analysis of Gross Profit and Gross Profit Margin

For the year ended 31 December 2024, the Group's gross profit increased to RMB5,865.4 million, representing a growth of 10.0% from RMB5,331.2 million in 2023. The overall gross profit margin improved to 43.2%, up from 41.8% in the previous year, reflecting a 1.4 percentage point increase. The breakdown by brand nature is as follows:

- **Mass Market:** Gross profit for the mass market segment grew by 2.8% to RMB5,150.6 million (2023: RMB5,012.7 million), with the gross profit margin of 41.8%. The gross profit growth was contributed by the performance of our e-commerce business and the gross overall gross profit margin was remain stable comparing with last year.

- **Professional Sports:** The professional sports segment saw a dramatic increase in gross profit by 124.4% to RMB714.8 million (2023: RMB318.5 million), with the gross profit margin rising to 57.2% from 40.0%. This significant improvement was mainly due to the acquisition of the entire Saucony and Merrell joint venture interests, which allowed the Group to capture the full gross profit margin. In addition, the strong retail and online sales contributed to the increase in gross profit.



MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains, Net

For the year ended 31 December 2024, the Group's other income and gains totaled approximately RMB395.6 million, down from RMB423.7 million in 2023. This decline was primarily due to a) reduced government grant of RMB261.3 million (2023: RMB276.2 million), b) a decrease in income derived from financial assets at FVPL and term deposits, and dividend income from an equity investment designated at FVOCI of RMB38.1 million (2023: RMB69.5 million), and c) decrease in the fair value gain on the derivative component of convertible bonds of RMB3.4 million (2023: RMB7.2 million). An improvement from royalty income to RMB37.0 million (2023: RMB20.8 million) offset part of the decrease.

Selling and Distribution Expenses

For the year ended 31 December 2024, the Group's selling and distribution expenses amounted to approximately RMB2,867.9 million, representing 21.1% of the Group's total revenue (2023: RMB2,654.9 million, representing 20.8% of the Group's total revenue).

The increase in selling and distribution expenses by RMB213.0 million was mainly attributed to higher advertising and promotional costs, which increased to RMB1,813.1 million (2023: RMB1,693.2 million). This rise was primarily due to the acquisition of the entire Saucony and Merrell joint venture interests, leading to the consolidation of the professional sports segment's marketing expenses. Additionally, there was an increase in platform fees associated with higher e-commerce sales and increased direct-to-consumer (DTC) related expenses, including right-of-use (ROU) asset depreciation and store decoration costs.

General and Administrative Expenses

For the year ended 31 December 2024, the Group's general and administrative expenses amounted to approximately RMB1,427.6 million, representing 10.5% of the Group's total revenue (2023: RMB1,302.1 million, representing 10.2% of the Group's total revenue).

The increase in general and administrative expenses was primarily due to higher staff costs and related expenses. This increase was driven by business expansion and increase in consultancy service fee optimization projects and the acquisition of the Saucony and Merrell joint venture interests, leading to the consolidation of certain the professional sports segment's staff expenses.

Additionally, the Group made provisions for trade receivables and inventory. The provisions for trade receivables increased to RMB22.2 million, compared to a provision of RMB17.0 million in 2023. Inventory provisions increased to RMB1.4 million, compared to a write-back of provision of RMB16.6 million in 2023. The net provision for trade receivables and inventory was RMB23.6 million (2023: RMB0.4 million), leading to the increase of general and administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit and Operating Profit Margin

The following table sets out the contributions to the operating profit and operating profit margin for the year:

For the year ended 31 December

	2024		2023			Change in operating profit/(loss) margin (% point)
	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)	Change in operating profit/(loss) (%)	
Mass market	1,954.5	15.9	1,891.0	15.8	3.4	0.1
Professional sports	78.2	6.3	8.4	1.1	829.5	5.2
	2,032.7	15.0	1,899.4	14.9	7.0	0.1
Corporate	(67.2)	N/A	(101.4)	N/A	-33.8	N/A
Total	1,965.5	14.5	1,798.0	14.1	9.3	0.4

For the year ended 31 December 2024, the Group's operating profit increased by 9.3% to RMB1,965.5 million, compared to RMB1,798.0 million in 2023. This increase was driven by strong performance in the mass market and professional sports segments. The overall operating profit margin improved to 14.5% from 14.1%. The breakdown by brand nature is as follows:

- **Mass Market:** The operating profit for the mass market segment grew by 3.4% to RMB1,954.5 million (2023: RMB1,891.0 million), with the operating profit margin slightly increasing to 15.9% from 15.8%. This growth was primarily driven by a higher contribution from the e-commerce channel, which had higher margins compared to wholesale. The increase in revenue and gross profit outpaced the rise in SG&A expenses, demonstrating operational leverage of the segment operation.

- **Professional Sports:** The professional sports segment saw a significant increase in operating profit, rising by 829.5% to RMB78.2 million (2023: RMB8.4 million), with the operating profit margin increasing to 6.3% from 1.1%. This improvement was mainly due to the acquisition of the entire Saucony and Merrell joint venture interests, which allowed the Group to capture the full gross profit margin. However, the consolidation of marketing expenses, research and development expenses, and staff costs into the Group offset certain increase in gross profit margin.

- **Corporate:** The corporate segment reported an operating loss of RMB67.2 million, decreased 33.8% from the loss of RMB101.4 million in 2023. The decrease in loss was primarily due to lower share-based payment expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-GAAP Financial Measures for Professional Sports Segment

After completing the acquisition of Wolverine Group's interests in certain joint venture entities associated with the Merrell and Saucony brands and their subsidiaries on 1 January 2024, all Merrell and Saucony operating entities in Greater China are now wholly-owned by the Group. Consequently, the results of the professional sports Segment have been fully consolidated into the Group's financial results. For a more accurate comparison and evaluation of our performance compared to last year, we encourage you to review our financial information in its entirety rather than relying on a single financial measure.

	For the year ended		
	2024 As reported (RMB Million)	2023 Non-GAAP (RMB Million)	**Change**
Revenue	**1,250.3**	795.5	+57.2%
Gross profit	**714.8**	442.6	+61.5%
Gross profit margin	**57.2%**	55.6%	+1.6%pt
Operating profit	**78.2**	8.2	+853.0%
Operating profit margin	**6.3%**	1.0%	+5.3%pt

The following tables set forth the reconciliations of the Group's professional sports segment's non-GAAP financial measures and measures prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2023:

	For the year ended 31 December 2023		
	As reported (RMB Million)	Adjustments[2] (RMB Million)	Non-GAAP (RMB Million)
Revenue	795.5	–	795.5
Gross profit	318.5	124.1	442.6
Gross profit margin	40.0%	N/A	55.6%
Operating profit	8.4	(0.2)	8.2
Operating profit margin	1.1%	N/A	1.0%

NOTES:

1 During the year ended 31 December 2023, the Group owned less than 50% of the share capital of certain operating entities in its professional sports segment and they were accounted for as associates of the Group. As a result, according to the applicable HKFRSs, while the Group should consolidate the results of its subsidiaries on a line-by-line basis, the Group could only recognise the share of results from its associates in its consolidated financial statements through equity method of accounting.

To provide investors with useful supplementary information to assess the performance of the overall operations of the Group's professional sports segment, the management also presents the revenue, gross profit, gross profit margin, operating profit and operating profit margin of the professional sports segment as if all the entities operating the professional sports segment were subsidiaries of a common parent and the financial results were combined on a line-by-line basis, which are not GAAP financial measures.

Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Group's financial performance prepared in accordance with HKFRSs.

2 These represent the adjustments to combine all the entities operating the professional segments as if they were the subsidiaries of a common parent.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Finance Costs

For the year ended 31 December 2024, the Group's net finance costs decreased to RMB97.5 million from RMB139.0 million in 2023. This decrease was primarily due to lower interest expenses on bank loans, which amounted to RMB85.3 million (2023: RMB121.8 million). The reduction in interest expenses was driven by a lower borrowing balance and a decrease in interest rate resulting from a strategic shift from HK$-denominated loans (higher interest rate) to RMB-denominated loans (lower interest rate) offset the higher HIBOR compared to last year. Additionally, the interest expenses on discounted bills receivable decreased to RMB11.8 million from RMB23.4 million. Furthermore, there were no fair value losses on derivative instruments this year (2023: RMB5.4 million).

Income Tax Expenses

For the year ended 31 December 2024, the Group incurred an income tax expense of RMB595.9 million, representing an increase of RMB179.6 million or 43.1% compared to RMB416.3 million in 2023. It included profit tax provision relating to operating companies, which amounted to RMB431.7 million (2023: RMB403.5 million). Also, there were an under-provision of income tax of RMB4.2 million (2023: over-provision of RMB3.6 million), and a deferred tax of RMB160.0 million (2023: RMB16.4 million) due to the provision of withholding tax as the Company holds certain PRC subsidiary companies which have retained profits that can be distributed to the Company in the future.

DISCONTINUED OPERATION

Loss from a Discontinued Operation

The loss from a discontinued operation amounted to RMB67.1 million (2023: RMB224.3 million). Excluding the gain on disposal of the KP Global Group of RMB83.5 million, the loss from a discontinued operation of RMB150.6 million represented the financial results of KP Global for the period from 1 January 2024 to 30 November 2024 (i.e. the date of completion of the KP Disposal).

PROFIT FOR THE YEAR

Profit Attributable to Ordinary Equity Holders and Net Profit Margin

For the year ended 31 December 2024, the Group's net profit attributable to equity holders was RMB1,238.4 million, representing an increase of RMB208.4 million or 20.2% compared to RMB1,030.0 million in 2023. The net profit margin improved to 9.1%, up from 8.1% in the previous year. This increase in net profit and margin was mainly attributed to higher operating profit driven by revenue growth and effective cost management across the Group, and decrease in loss of the discontinued operations, partially offset by the increase in income tax expenses.

Dividend

The Board continued to maintain high shareholders' dividend returns and has therefore resolved to distribute an final dividend of HK9.5 cents per Share (2023: HK8.0 cents per Share). This decision underscores our commitment to enhancing shareholder value and reflects our strong cash flow and net cash position.

The proposed final dividend will be offered with a scrip dividend option, allowing shareholders to receive new shares of the Company in lieu of cash. Participation in the scrip dividend scheme will be optional. This scheme is subject to the Hong Kong Stock Exchange granting the listing and permission to deal in the new shares to be issued pursuant thereto. A circular containing details of this scrip dividend scheme and a form of election will be dispatched to the shareholders.

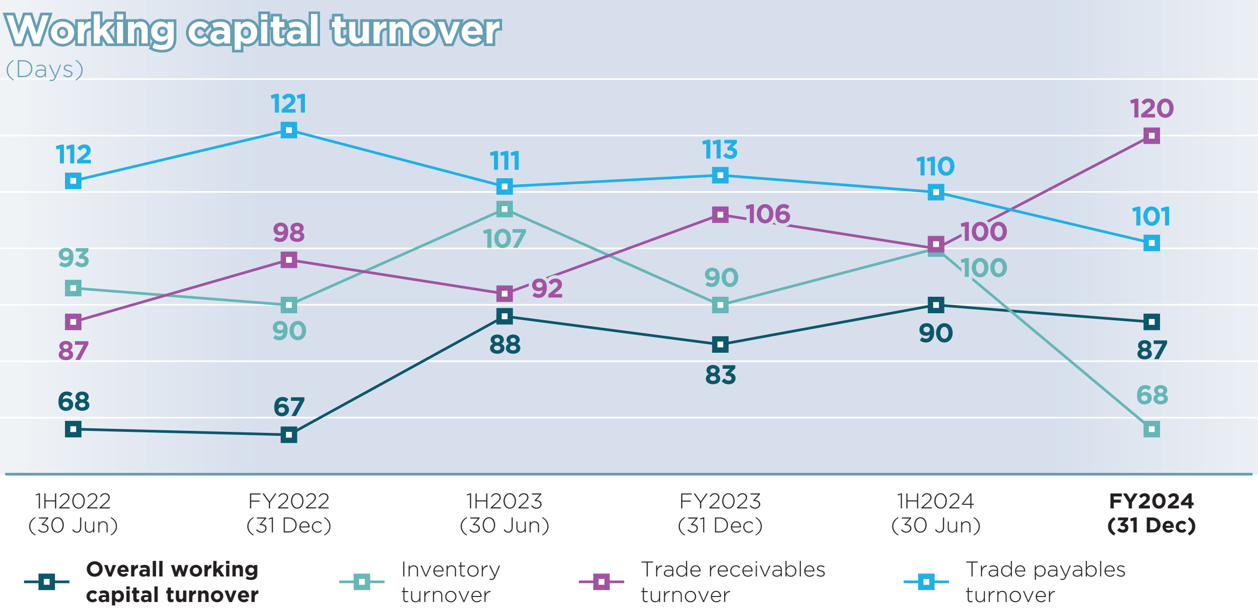
Together with the interim dividend of HK15.6 cents (2023: HK13.7 cents) per Share payable in cash with a scrip dividend alternative, and the special dividend of HK44.7 cents (2023: Nil), the total dividend for 2024 is HK69.8 cents (2023: HK21.7 cents), equivalent to a dividend payout ratio of 138.2% (2023: 50.0%). When excluding the special dividend, the dividend payout ratio stands at 50.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

Over the past five years, the Group has consistently maintained a high dividend payout ratio of not less than 50%, demonstrating our focus on providing substantial returns to our shareholders. This strong dividend payout ratio is supported by our robust financial performance and efficient cash flow management, ensuring that dividends are both sustainable and attractive to incoming investors. It also signals our confidence in the Group's financial health and our commitment to returning profits to shareholders while balancing reinvestment for future growth.

Cash Conversion Cycle

For the year ended 31 December 2024, the Group's overall working capital turnover days was 87 days (2023: 83 days).



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December

WORKING CAPITAL TURNOVER DAYS	2024 Days	2023 Days	Changes Days
Inventories	68	90	–22
Trade receivables	120	106	+14
Trade payables	101	113	–12
Overall working capital turnover days	87	83	+4

Working Capital Turnover Days

For the year ended 31 December 2024, the change of the Group's working capital turnover days was mainly due to the disposal of the KP Global Group. The turnover days of 2024 was represented for continuing operations only:

- Inventories turnover days decreased by 22 days to 68 days (2023: 90 days).
- Trade receivables turnover days increased by 14 days to 120 days (2023: 106 days).
- Trade payables turnover days decreased by 12 days to 101 days (2023: 113 days).

NOTE: Full year inventory turnover days is equal to the average of opening and closing inventory of continuing operations in 2024 (or opening and closing inventory of the year in 2023) divided by costs of sales and multiplied by 366 days (or 365 days in 2023).

Full year trade receivables turnover days is equal to the average of opening and closing trade receivables of continuing operations in 2024 (or opening and closing trade receivables inventory of the year in 2023) divided by revenue and multiplied by 366 days (or 365 days in 2023).

Full year trade payables turnover days is equal to the average of opening and closing trade payables of continuing operations in 2024 (or opening and closing trade payables of the year in 2023) divided by cost of sales and multiplied by 366 days (or 365 days in 2023).

Bills Receivable and Bills Payable

In order to have more flexibilities in utilising working capital facilities, the Group utilised the acceptance and usage of bills receivable and bills payable.

As of 31 December 2024, the bills receivable amounted to approximately RMB414.5 million (2023: RMB457.0 million). For the year ended 31 December 2024, the number of turnover days of bills receivable was 12 days (2023: 11 days).

As of 31 December 2024, the bills payable amounted to approximately RMB100.0 million (2023: RMB100.0 million). For the year ended 31 December 2024, the number of turnover day of bills payable was 5 days (2023: 3 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As of 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB2,979.2 million (31 December 2023: RMB3,294.6 million), representing a decrease of approximately RMB315.4 million. The decrease in the Group's cash and cash equivalents is summarized as follows:

	Year ended 31 December	
	2024	2023
	RMB Million	RMB Million
Cash generated from operating activities	**1,755.7**	1,889.4
Income tax paid	**(469.0)**	(530.6)
Net interest expenses paid	**(58.6)**	(103.9)
Net cash flows from operating activities	**1,228.1**	1,254.9
Decrease in term deposits	**–**	200.3
Decrease/(increase) in pledged bank deposits	**271.5**	(314.8)
Increase in investment in associates	**(26.6)**	(285.7)
Increase in prepayments for investment in an associate	**(124.5)**	–
Increase in property, plant and equipment	**(316.8)**	(388.5)
Increase in prepaid land lease	**(77.0)**	(100.9)
Increase in prepayments for acquisition of non-controlling interests	**–**	(56.3)
Acquisition of Merrell Brand and Saucony Brand	**84.5**	(99.4)
Disposal of subsidiaries	**755.3**	–
Dividends paid	**(1,443.6)**	(468.8)
Net (repayment of)/proceeds from bank borrowings	**(651.3)**	188.9
Others	**(15.0)**	(51.2)
Net decrease in cash and cash equivalents	**(315.4)**	(121.5)

Net cash flows from operating activities

For the year ended December 31, 2024, the Group's net cash flows from operating activities amounted to RMB1,228.1 million (2023: RMB1,254.9 million). The stability of our operating cash flows reflects our continuous efforts to enhance operational efficiency and optimize working capital management. This underscores our ability to effectively convert profits into cash, demonstrating the strength and sustainability of our operational performance.

MANAGEMENT DISCUSSION AND ANALYSIS

The net cash and cash equivalents (including pledged bank deposits and term deposits minus bank borrowings and convertible bonds) were approximately RMB984.7 million as at 31 December 2024 (2023: RMB932.1 million). The breakdown is as follows:

	2024 **RMB Million**	2023 RMB Million
Cash and cash equivalents	**2,979.2**	3,294.6
Bank deposits	**890.3**	1,161.7
Total bank deposits and bank balances	**3,869.5**	4,456.3
Less: Bank borrowings	**(2,028.0)**	(2,645.0)
Less: Convertible bonds	**(856.8)**	(879.2)
Net cash and cash equivalents	**984.7**	932.1

The net increase in cash and cash equivalents was primarily driven by strong operating cash flows and efficient management of the Group's financial resources.

As of 31 December 2024, the Group's total assets amounted to RMB15,968.1 million (31 December 2023: RMB17,325.5 million), comprising non-current assets of RMB4,738.1 million and current assets of RMB11,230.0 million. Total liabilities stood at RMB7,265.6 million (31 December 2023: RMB8,402.2 million), with non-current liabilities of RMB1,983.0 million and current liabilities of RMB5,282.6 million. The Group's total equity was RMB8,702.6 million, down from RMB8,923.3 million as of 31 December 2023. Net assets per Share as at 31 December 2024 were approximately RMB3.24 (2023: RMB3.38), representing a decrease of 4.1%. The decrease of the net assets per Share mainly due to the Special Dividend paid during the year.

The Group's current ratio, calculated as current assets divided by current liabilities, stood at 2.1x (31 December 2023: 2.0x), reflecting the Group's solid liquidity position. Additionally, the Group's gearing ratio, defined as the ratio of total borrowings and convertible bonds to total assets, was 18.1% as of 31 December 2024 (31 December 2023: 20.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment of Trade Receivables

During the year ended 31 December 2024, the Group recorded impairment of trade receivables amounted to RMB22.3 million (2023: RMB17.0 million).

Provision for Inventories

During the year ended 31 December 2024, the Group recorded a provision for inventories amounted to RMB1.4 million (2023: a write-back of provision for inventories amounted to RMB16.6 million).

Commitments

Details of the Group's commitments are stated in note 41 to the financial statements.

Contingent Liabilities

As of 31 December 2024, the Group did not have any material contingent liabilities.

Charge of Assets

Save as disclosed in notes 14, 24 and 28 to the financial statements relating to certain amounts of properties and bank deposits pledged to secure certain bank loans, none of the Group's assets were pledged as at 31 December 2024.

Foreign Currency Risks

The Group primarily operates in the PRC, with most transactions conducted in RMB, thereby minimizing foreign currency risks. Assets, liabilities, and transactions are largely denominated in RMB, reducing exposure to exchange rate fluctuations. However, the Group remains vigilant, continuously monitoring foreign currency risks and implementing prudent measures as necessary to manage any potential impacts on its financial performance and position.

Interest Rate Risks

The Group is exposed to interest rate risk primarily through its bank borrowings, which are subject to variable interest rates. A rise in interest rates could lead to higher borrowing costs, negatively impacting the Group's profitability. The Group strategically shifts its borrowing structure, favoring RMB-denominated loans over HKD-denominated loans to take advantage of lower interest rates in the mainland China market. The Group also conducts regular sensitivity analyses to assess the potential impact of interest rate fluctuations on its financial performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

Acquisition of the Wolverine Group's interest in the 2019 joint venture entities

On 1 January 2024, MS (China) Sports Company Limited, a direct wholly-owned subsidiary of the Company, completed the acquisition of Wolverine Group's interests in certain joint venture entities to carry out the development, marketing and distribution of products under the Saucony and Merrell brands, which included:

- **Acquisition of 51% equity interests in Merrell Brand Operations Limited and Saucony Brand Operations Limited and their subsidiaries:** The acquisition was made for a total cash consideration of US$14.0 million (equivalent to RMB99.4 million). Consequently, the aforementioned associates have become wholly owned subsidiaries of the Company.

- **Acquisition of 49% equity interests in Merrell Distribution Operations Limited and Saucony Distribution Operations Limited and their subsidiaries:** This acquisition was made for a total cash consideration of US$8.0 million (equivalent to RMB56.3 million). As a result, the aforementioned subsidiaries became wholly owned subsidiaries of the Company.

The consolidation of ownership and management of the joint venture entities has allowed the Group to maximize the synergies in product innovation, marketing and distribution channels between the core Xtep brand and the Saucony and Merrell brands, and to enhance control over the brand's strategic direction and operational efficiency.

Disposal of KP Global Group

On 9 May 2024 the Company entered into a share purchase agreement with Ding Shun Investment Limited (which is owned as to 67%, 21% and 12% by Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong respectively), pursuant to which the Company agreed to sell, and Ding Shun Investment Limited agreed to acquire, all the issued share capital of KP Global (the company which owns the business of K-Swiss and Palladium brands) at the consideration of US$151,000,000. As part of the transaction, KP Global issued US$154 million in convertible bonds to offset its debt to the Company. The KP Disposal was completed on 30 November 2024.

The KP Disposal provided an opportunity for the Group to eliminate the ongoing impact on its profitability and cash flows as a result of the continuous losses incurred by the business of the brands "K-Swiss" and "Palladium". It was expected that the KP Disposal would lead to a significant reduction in losses for the Group, with an improvement in profitability over the next two years and beyond. After the completion of the KP Disposal, the Group's business structure has been streamlined. The Group will continue to concentrate its resources on developing its profitable brands — i.e. core Xtep brand, Saucony and Merrell.

The proceeds from the KP Disposal have been used for the declaration and distribution of a special dividend of HK44.7 cents per share to the shareholders of the Company.

Human Resources

As of 31 December 2024, the Group had approximately 8,900 employees (31 December 2023: 9,100 employees), of which 57.4% was production employees (31 December 2023: 56.8%). The Group provides introductory orientation programs and continuous training to its employees. Topics covered included industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standards of our staff. The Group will strive to strengthen human resources management to provide strong support for the development of its business through staff recruitment initiatives, optimization of the organizational structure and promotion of our corporate culture to ensure that it can maintain sustainable development in the future.

INVESTOR RELATIONS REPORT

MAXIMIZING THE VALUE OF INVESTOR RELATIONS TO DRIVE BUSINESS GROWTH

The uncertain macroeconomic environment and softening retail sales posed challenges for the overall consumer sector in 2024. Investor sentiment towards China remained cautious, despite the renewed policy focus introduced by the Chinese government in September 2024. In response, we proactively engaged with our investors, addressing their concerns with accurate and comprehensive information about the Group through various physical and virtual channels. By enhancing transparency and fostering bidirectional communication, we effectively restored confidence and trust, ensuring that investors remain engaged with the Company's vision and growth trajectory.

We adopt an open and candid approach, actively listening to feedback from the capital market and regularly relaying these insights to our senior management and Board of Directors. Leveraging our understanding of market dynamics, we provide valuable recommendations that drive business growth and assist senior management in translating investor insights into actionable strategies. This proactive engagement ensures that we align the company's objectives with market expectations, particularly amid macroeconomic uncertainties, thereby maintaining stability in the Company's share price and reflecting our commitment to excellence in investor relations.

ENHANCING INVESTOR ENGAGEMENT

Our investor relations initiatives are closely integrated with business development, ensuring that we effectively communicate our corporate strategies and growth opportunities to investors. When Saucony unveiled its first concept store in Shenzhen, reverse roadshows were organized for over 60 investors and analysts to highlight the brand's strong retail management and R&D capabilities. During the divestiture of K•SWISS and Palladium, a physical extraordinary general meeting was also conducted to enable extensive and meaningful engagement with our stakeholders. Simultaneously, we utilized various digital platforms to foster a bidirectional dialogue with investors, ensuring they received comprehensive, accurate, and timely information. The financial results announcement in August, along with quarterly operational updates, were communicated through teleconference and live webcast. To facilitate instant and convenient access from any device, financial information, presentations, and webcasts were promptly updated and uploaded to our corporate website.

Annual general meeting in May 2024

Extraordinary general meeting in August 2024

CLOSE ENGAGEMENT WITH INSTITUTIONAL INVESTORS

50
ANALYST COVERAGE

350
INVESTOR MEETINGS

4
FINANCIAL RESULTS BRIEFINGS, ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

23
INVESTOR CONFERENCES

24
NON-DEAL ROADSHOWS

25
REVERSE ROADSHOWS

INVESTOR RELATIONS REPORT

Investor conferences and non-deal roadshows

Throughout the year, we participated in both physical and virtual non-deal roadshows, as well as investor conferences in cities across North America, Europe, and the Asia-Pacific region, including Mainland China, Hong Kong, Japan and Singapore. These locations host a significant portion of our institutional investors.

List of investor conferences attended during the year

Date	Event	Format
May 2024	Changjiang Securities 2024 Interim Strategy Conference	Virtual
May 2024	Sealand Securities 2024 Summer Conference	Virtual
May 2024	Founder Securities 2024 Spring/Summer Strategy Conference	Virtual
May 2024	Daiwa China Conference	Physical — Hong Kong
May 2024	20th J.P. Morgan Annual Global China Summit	Physical — Shanghai
May 2024	UBS Asian Investment Conference 2024	Physical — Hong Kong
Jun 2024	Nomura Investment Forum Asia 2024	Physical — Singapore
Jun 2024	CCBI Strategy Conference	Virtual
Jun 2024	Goldman Sachs 2024 Greater China Consumer & Leisure Corporate Day	Physical — Hong Kong
Jun 2024	CITIC Securities 2024 Capital Market Interim Conference	Physical — Shanghai
Jun 2024	Zheshang Securities 2024 Q2 Institutional Investment Conference	Virtual
Jun 2024	Guotai Junan Securities 2024 Interim Strategy Conference	Virtual
Jun 2024	Essence International Strategy Conference	Virtual
Sept 2024	Huatai Securities 2024 Autumn Investment Summit	Physical — Shenzhen
Sept 2024	31st CITIC CLSA Investors' Forum	Physical — Hong Kong
Sept 2024	Goldman Sachs China+ Conference 2024	Virtual
Oct 2024	CMBI Consumer Sector Corporate Day	Virtual
Nov 2024	BofA Securities 2024 China Conference	Physical — Beijing
Nov 2024	Huatai Securities 2025 Annual Investment Summit	Physical — Beijing
Nov 2024	Kaiyuan Securities 2025 Annual Strategy Conference	Physical — Shanghai
Nov 2024	Daiwa Investment Conference Hong Kong 2024	Physical — Hong Kong
Nov 2024	UBS Asian Consumer, Internet and Gaming Corporate Day 2024	Physical — Hong Kong
Dec 2024	ICBCI Consumer Sector Corporate Day	Virtual

INVESTOR RELATIONS REPORT

Reverse roadshows

In 2024, we organized 25 reverse roadshows for analysts and investors to deepen their understanding of our operations at the Xiamen headquarters, while also showcasing the new retail experiences offered by our flagship stores and Xtep Running Clubs.

Site visit to our Saucony store in Shenzhen in November 2024

MAJOR AWARDS AND RECOGNITION

Corporate Governance Asia 14th Asian Excellence Award 2024

- Asia's Best CEO (Investor Relations)
- Asia's Best CFO (Investor Relations)
- Best Investor Relations Professional
- Best Investor Relations Company

Institutional Investor "2024 Asia (ex-Japan) Executive Team"

- Most Honored Company – Small/Mid Cap – 3^{rd} place
- Best CEO – Small/Mid Cap (Sell-side) – 2^{nd} place
- Best CFO – Overall (Sell-side) – 2^{nd} place
- Best IR Professional – Overall (Sell-side) – 2^{nd} place
- Best IR Team – Overall (Sell-side) – 3^{rd} place
- Best IR Program – Overall (Sell-side) – 3^{rd} place
- Best ESG Program – Small/Mid Cap (Sell-side) – 3^{rd} place
- Best Company Board – Overall (Sell-side) – 3^{rd} place

IR Magazine Awards Greater China 2024

- Best in Sector: Consumer Discretionary
- Best Overall Investor Relations (Mid Cap)
- Best Investor Relations Officer (Mid Cap)
- Best Investor Targeting Strategy

HKIRA 10th Investor Relations Awards 2024

- Overall Best IR Company
- Best IR by Chairman/CEO
- Best IR by CFO
- Best IRO
- Best IR Team
- Best IR Company
- Best Annual Report
- Best ESG (S)

INVESTOR RELATIONS REPORT

INFORMATION FOR INVESTORS

Share information

Company name: Xtep International Holdings Limited
Listing: Hong Kong Stock Exchange
Stock code: 1368
Listing date: 3 June 2008
Board lot size: 500 shares
Number of issued shares as at 31 December 2024: 2,683,650,072
Market capitalization as at 31 December 2024: HK$15,135,786,406
Index constituent:

- Hang Seng Composite Index Series
- MSCI China SMID Cap Index
- MSCI China Small Cap Index
- MSCI Hong Kong-Listed Southbound IMI Index

Basic earnings per Share for 2024:

- Interim: RMB29.66 cents
- Final: RMB48.67 cents

Dividend per Share for 2024:

- Interim: HK15.6 cents
- Special: HK44.7 cents
- Final: HK9.5 cents
- Full year total: HK69.8 cents

Key dates for investors

18 March 2025	2024 annual results announcement
23 April 2025 to 28 April 2025	Closure of register of members (for determination of shareholders who are entitled to attend and vote at annual general meeting) (both days inclusive)
28 April 2025	Annual general meeting
7 May 2025	Dividend ex-entitlement for Shares
9 to 13 May 2025	Closure of the register of members (for determination of final dividend entitlement) (both days inclusive)
30 June 2025	Proposed payment of 2024 final dividend

Registrar & Transfer Offices

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Gardenia Court, Camana Bay
Grand Cayman, KY1-1100, Cayman Islands

Hong Kong Branch
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17/F, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Enquiries

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DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Shui Po (丁水波), aged 54, is the founder, chairman of the Board and chief executive officer of the Group. Mr. Ding has over 30 years of experience in the sportswear industry and is primarily responsible for the overall corporate strategies, planning and business development of the Group. Mr. Ding is currently also the chairman of the Board of Directors and the president of various subsidiaries of the Group.

Mr. Ding participated in entrepreneurship programs offered by Peking University (北京大學) and Tsinghua University (清華大學) in 2004 and 2006, respectively, and studied for the China CEO/ Finance CEO Program offered by Cheung Kong Graduate School of Business (長江商學院) in 2011. He also completed the CEO Program of the China Europe International Business School (中歐國際工商學院) and the EMBA program offered by Xiamen University (廈門大學) in 2014 respectively. He started attending China Europe International Business School's Sport and Leisure Management Program in 2015, Shanghai Advanced Institute of Finance's "CEO Program: Leading the Future" in 2016, Harvard University's "Global CEO Program" in 2018, Executive Education — SEM-Tsinghua University's "Seventh Class of Entrepreneur Scholar Program" in 2019 and "Entrepreneurship Scholars Program" of Cheung Kong Graduate School of Business in 2023. He is a brother of Ms. Ding Mei Qing and Mr. Ding Ming Zhong, and the father of Ms. Ding Lizhi.

Mr. Ding personally obtained the following awards in the recent years:

Year	Award
2011	The "Seeding of Hope, Contribution to Brightness" medal, presented by All-China Federation of Returned Overseas Chinese
2011	Most Innovative Entrepreneur of Quanzhou City
2013	Outstanding Contribution Award on Community Donation by a Businessman in the Private Sector in Fujian Province
2013	Outstanding Contribution Award on Western Taiwan Straits Economic Zone Construction
2013	Top Ten Outstanding Young Persons in Quanzhou
2016	Outstanding Entrepreneur in China 2015–2016 presented by China Enterprise Confederation
2017	Next Generation Education and Charity Motivation Award 2017 by the China Next Generation Education Foundation
2019	2019 Outstanding Builder of Non-public Sector of Economy in Fujian Province
2019	Awarded the "Person of Year in Sportswear Industry" Award
2020	Enlisted in the 2020 China's Top 500 Brand figures
2020	Enlisted in the 2020 Forbes China Philanthropy List
2022	Awarded the 2021 Top Ten Person of the Economic Year in China
2022	Included in the 11th group of Honorary Citizen of Xiamen
2023	"Most Influential Enterprise Leader in 2023"

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ding held the following public offices in the recent years:

Year	Public Office
2011	Founding Chairman of the Hong Kong China Chamber of Commerce
2013	Committee Member of the 11th Fujian Provincial Committee of the Political Consultative Conference
2013	Executive Vice President of the 4th Congress of the China Federation of Overseas Chinese Entrepreneurs
2014	Chairman of the 2nd World Quanzhou Youth Friendship Association
2015	Committee Member of Marathon Committee of Chinese Athletic Association
2016	Chief Expert in the Sportswear Industry, for the Sports Economy Research Center of the Research Institute of Sports Science of the General Administration of Sport of China
2017	Deputy Director of Marathon Committee of Chinese Athletic Association
2017	Permanent Honorary Chairman of the Fourth Session of the Board of Education Fund Council of Quanzhou City
2018	Deputy President of the Seventh Session of the Board of the China National Garment Association
2018	Vice-Chairman of the China Next Generation Education Foundation
2019	Specially Invited Vice President of the 9th executive committee of Chinese Athletic Association
2022	The Fourteenth Vice-chairman of Xiamen Industrial and Commercial Association (General Chamber of Commerce)
2023	Specially Invited Vice President of the 10th executive committee of Chinese Athletic Association

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ding Mei Qing (丁美清), aged 52, is the vice chairman of the Board and the vice president of the Group. Ms. Ding has over 20 years of experience in the sportswear industry, and is primarily responsible for the management of the product design and development as well as supply chains business of the Group. She is mainly responsible for consolidating the position and reputation of the footwear category in the industry, and is directly responsible for product innovation, research and development of technical standards, flexible supply chain platforms, intelligent manufacturing, vertical auxiliary systems and information technology and intelligent management. She is also a deputy general manager, a director and a vice president of various subsidiaries. Ms. Ding is the sister of Mr. Ding Shui Po and Mr. Ding Ming Zhong, and the aunt of Ms. Ding Lizhi.

Ms. Ding participated in an entrepreneurship program offered by Tsinghua University (清華大學) and an business administration program offered by Cheung Kong Graduate School of Business (長江商學院) in 2006 and 2022, respectively. She has received Fortune (Chinese version)'s list featuring 40 young business elites in China "40 Under 40", Top Ten Eminent Young Entrepreneurs of Quanzhou in 2018, the March 8th Red-Banner Pacesetter of Fujian in 2021 and other recognitions.

Mr. Ding Ming Zhong (丁明忠), aged 48, is an executive Director of the Company and the vice president of the Group. He has over 20 years of experience in the sportswear industry and is primarily responsible for the management of the accessories business of the Group. Mr. Ding joined the Group in 1999 and is currently also a deputy general manager and a vice president of various subsidiaries of the Group. Mr. Ding participated in entrepreneurship programs offered by Peking University (北京大學) and Tsinghua University (清華大學) in 2004 and 2006, respectively. He is currently serving as a member of the 14th Fujian Political Consultative Committee and the deputy chairman of China Sporting Goods Federation. He is a brother of Mr. Ding Shui Po and Ms. Ding Mei Qing, and the uncle of Ms. Ding Lizhi.

Mr. Yeung Lo Bun (楊鷺彬), aged 47, is an executive Director of the Company. He is responsible for formulating and implementing the Group's global business strategy, fostering international cooperation, and accelerating overseas expansion. Mr. Yeung joined the Group in September 2010 as group financial controller and was promoted to chief financial officer in September 2017. He has over 20 years of experience in the field of audit, corporate finance and financial management. Prior to joining the Group, Mr. Yeung worked for DaChan Food (Asia) Limited (stock code: 3999), a company listed on the Main Board of the Hong Kong Stock Exchange, from 2003 to 2010, where he last served as senior finance manager. He also worked for an international audit firm from 2001 to 2003. Mr. Yeung graduated from The University of Melbourne with a bachelor's degree in commerce in 2000. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tan Wee Seng (陳偉成), aged 69, is a non-executive Director and chairman of the Sustainability Committee of the Company. He is an independent non-executive director, chairman of the audit committee and nomination committee of Sa Sa International Holdings Limited, an independent non-executive director and chairman of the remuneration committee of Health and Happiness (H&H) International Holdings Limited, an independent non-executive director and chairman of the audit committee of CIFI Holdings (Group) Company Limited, and an independent non-executive director, chairman of the audit committee and remuneration committee of Shineroad International Holdings Limited, all of these companies are listed on the Main Board of the Hong Kong Stock Exchange. He is a board member of Beijing City International School, an academic institution in Beijing. Mr. Tan has been an independent director and chairman of audit committee for Sinopharm Group Company Limited from September 2014 to September 2020 listed on Hong Kong Stock Exchange Main Board and 7 Days Group Holdings Limited listed on the NYSE from November 2009 to July 2013 until it was privatized. Mr. Tan was also the chairman of special committee for privatization of the 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan was also an independent director and chairman of the audit committee of the ReneSola Ltd. whose shares are listed on the NYSE from April 2009 to January 2023.

Mr. Tan has over 40 years of experience in financial management, corporate finance, merger and acquisition, business management and strategy development. He has also held various management and senior management positions in a number of multi-national and Chinese corporations. From 2003 to 2008, he was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange. From 1999 to 2002, he was the senior vice president of Reuters for China, Mongolia and North Korea regions, and the chief representative of Reuters in China. Prior to that, he had served as the managing director of AFE Computer Services Limited, a Reuters subsidiary in Hong Kong mainly engaged in domestic equity and financial information services, and as the director of Infocast Pty Limited, a Reuters subsidiary in Australia and as the regional finance manager of Reuters East Asia. Mr. Tan is a professional accountant and a fellow member of both the Chartered Institute of Management Accountants in the United Kingdom and the Hong Kong Institute of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Bao Ming Xiao (鮑明曉), aged 63, is an independent non-executive Director. Dr. Bao has over 37 years of experience in physical education. Dr. Bao was a professor of physical education theory at the Capital Institute of Physical Education from 1998 to 2000. He has been a researcher and the chairman of the Research Center of Physical Education Sociology and Science at the Research Institute of Physical Education and Science (體育科學研究所體育社會科學研究中心) of the General Administration of Sport of China (國家體育總局) since 2001. In 2011, Dr. Bao was appointed as deputy chairman of the Second Sport Committee of China Sport Science Society (中國體育科學學會). Dr. Bao graduated from Anhui Normal University (安徽師範大學) with a bachelor's degree in physical education in 1983. Dr. Bao then obtained a master's degree in education and a doctoral degree in education from Shanghai University of Sport (上海體育學院) in 1988 and 2005, respectively. Dr. Bao was appointed as director of the China Sports Economy Research Center (中國體育經濟研究中心) in 2016 and was appointed as the head of China Sports Policy Research Institute (中國體育政策研究院) in 2018.

Dr. Wu Ka Chee, Davy (胡家慈), aged 56, is an independent non-executive Director and chairman of the Remuneration Committee of the Company. He is currently a senior lecturer of the Department of Accountancy, Economics and Finance at The Hong Kong Baptist University, where he has been employed since September 1999. Dr. Wu was an independent non-executive director of Goal Rise Logistics (China) Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1529) from August 2017 to November 2021. Dr. Wu was an independent non-executive director of Wan Leader International Limited, a company listed on GEM of the Stock Exchange (stock code: 8482), from August 2018 to March 2021.

Dr. Wu attained a doctorate degree in law in December 2003, a postgraduate certificate in law in June 1994 and a bachelor's degree in law in November 1993, all from The University of Hong Kong. He also obtained a master's degree in business administration from The Hong Kong Polytechnic University in November 2013. He is a co-author of the Guide to Corporate Governance for Subvented Organisations, the second edition of which was published by the Hong Kong Government in June 2015.

From 2006 to 2012, he was a member of the Advisory Group on Share Capital, Distribution of Profits and Assets and Charges Provisions for the rewrite of the Companies Ordinance (Chapter 622 of the laws of Hong Kong), on appointment by the Financial Services and Treasury Bureau of the Hong Kong Government. From 2011 to 2016, he was a member of the Advisory Group on Modernisation of Corporate Insolvency Law, also on appointment by the Financial Services and Treasury Bureau. He has been serving the Hong Kong Institute of Certified Public Accountants as a director of a professional diploma programme in insolvency since 2012. He was appointed as a consultant on governance by Pok Oi Hospital in January 2023.

Dr. Wu had also participated in the development of the first governance code for the national sports associations in Hong Kong. His contributions was acknowledged in the Code of Governance, promulgated by the Sports Federation & Olympic Committee of Hong Kong, China in November 2024.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Chan Yee Wah (陳綺華), aged 59, is an independent non-executive Director and the chairlady of the Audit Committee. Dr. Chan has more than 27 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association. Dr. Chan is also a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Chartered Governance Institute (previously known as The Hong Kong Institute of Chartered Secretaries). Dr. Chan graduated from the City University of Hong Kong with a bachelor of arts degree in accounting. She then earned a master's degree in business administration from the University of Nottingham. She also obtained a doctorate degree in business administration from the Polytechnic University of Hong Kong. She is currently an independent non-executive director and the chairlady of the Audit Committee of Capital Environment Holdings Limited (stock code: 3989), a company listed on the Main Board of the Stock Exchange and an independent non-executive director of ST International Holdings Company Limited (stock code: 8521), a company listed on the GEM of the Stock Exchange. She is also the Head of Investor Relations of C C Land Holdings Limited.

SENIOR MANAGEMENT

The senior management of the Company is composed of all the executive Directors of the Company, namely, Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Ding Ming Zhong and Mr. Yeung Lo Bun. Please refer to the above section headed "Executive Directors" for their biographical details.

CHIEF FINANCIAL OFFICER

Ms. Ding Lizhi (丁利智), aged 32, is the chief financial officer and vice president of the Group. She oversees the Group's overall financial and accounting affairs, treasury, mergers and acquisitions, and investor relations. Since joining the Group in December 2017, Ms. Ding has played a pivotal role in overseeing and implementing the Group's multi-brand strategies, acquisitions and integrations. She has also been responsible for multi-brand management, product development, and end-to-end operations across online and offline channels, accumulating substantial expertise across the business value chain. In 2024, she was promoted to group vice president, taking on responsibility for the Group's finance department. Ms. Ding is a director of various subsidiaries. She holds a bachelor's degree in economics from University College London. She is the eldest daughter of Mr. Ding Shui Po and the niece of Ms. Ding Mei Qing and Mr. Ding Ming Zhong.

COMPANY SECRETARY

Mr. Cheung Yan Kiu (蔣鑫橋), aged 36, is the company secretary and authorized representative of the Company as well as the financial controller of the Group. He is responsible for the financial and accounting affairs and company secretarial matters of the Group. Before joining the Group, he worked in an international accounting firm for over nine years in both assurance and transaction advisory services. He has extensive experience in accounting, mergers and acquisitions, taxation, financial management, and corporate governance. Mr. Cheung is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA), a member of the Institute of Chartered Accountants in England and Wales (ICAEW), and a member of CPA Australia. He is also a Chartered Financial Analyst (CFA), Financial Risk Manager (FRM), and Chartered Alternative Investment Analyst (CAIA). Additionally, Mr. Cheung has obtained a certificate from the CFA Institute in ESG investing. Mr. Cheung graduated with a bachelor of business administration degree in accounting and finance from The University of Hong Kong.

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization that is open and accountable to the Shareholders. The Board strives to adhere to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor for creating more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board, in order to optimize the returns for Shareholders.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2024, the Company complied with all code provisions and, where appropriate, adopted the recommended best practices as set out in the Corporate Governance Code in force during the year, with the exception of code provision C.2.1 (chairman and chief executive).

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and the chief executive. Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in the sportswear industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board believes that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which is comprised of experienced and high caliber individuals. The Board currently consists of four executive Directors, one non-executive Director and three independent non-executive Directors and has a strong independence element in its composition.

COMPLIANCE WITH MODEL CODE

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2024.

CULTURE AND STRATEGIC PLANNING

Perseverance, innovation, integrity and mutual success are part of Xtep's DNA and the core values it embraces. Throughout the years, they are pivotal to the Group's success and its sound reputation as a top-notched sportswear brand with an extensive global distribution network in Asia-Pacific and EMEA.

Governed by its multiple-brand and multiple-market strategy, Xtep aspires to become a world leading sportswear brand and a respected Chinese brand operator. Upholding the belief that sports promote health and wellbeing without any gender, age, or ethnic differences, Xtep made strategic efforts to continuously create high-quality sportswear products, and create value for stakeholders and the communities in which it operates. With an ambitious mission to elevate sports to the extraordinary, it strives to empower sports lovers through the relentless pursuit of excellence and innovation.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board is comprised of four executive Directors, one non-executive Director and three independent non-executive Directors.

The followings are the members of the Board:

Executive Directors
Mr. Ding Shui Po *(Chairman and Chief Executive Officer)*
Ms. Ding Mei Qing
Mr. Ding Ming Zhong
Mr. Yeung Lo Bun (with effect from 18 March 2025)

Non-Executive Director
Mr. Tan Wee Seng

Independent Non-Executive Directors
Dr. Bao Ming Xiao
Dr. Wu Ka Chee, Davy
Dr. Chan Yee Wah

Among members of the Board, Mr. Ding Shui Po is the elder brother of Ms. Ding Mei Qing and Mr. Ding Ming Zhong. Save as disclosed herein, to the best knowledge of the Directors, there is no other financial, business or family relationship among the members of the Board.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his/her position, and has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. Biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this annual report.

Meetings of the Board

Board meetings were held from time to time to discuss the business strategies of the Group, to monitor financial and operational performance, to approve the annual and interim results of the Group, and to discuss the corporate governance functions of the Board.

CORPORATE GOVERNANCE REPORT

Directors may participate either in person or through electronic means of communications. The individual attendance record of each Director at the meetings of the Board and the general meetings during the year ended 31 December 2024 is set out below:

Name of Director	Attendance/Number of board meeting(s) held during a director's tenure	Attendance/Number of general meeting held during a director's tenure
Executive Directors		
Mr. Ding Shui Po	9/9	2/2
Ms. Ding Mei Qing	9/9	2/2
Mr. Ding Ming Zhong	9/9	2/2
Non-Executive Director		
Mr. Tan Wee Seng	9/9	2/2
Independent Non-Executive Directors		
Dr. Bao Ming Xiao	9/9	2/2
Dr. Wu Ka Chee, Davy	9/9	2/2
Dr. Chan Yee Wah	9/9	2/2

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the company secretary of the Company at all times and may seek independent professional advice at the Company's expense. When queries are raised by Directors, steps would be taken to respond as promptly and as fully as possible. All Directors have the opportunity to include matters in the agenda of board meetings. Notices of at least 14 days of board meetings are given to the Directors and the board procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Functions and Duties of the Board

The overall management of the Company's operations is vested in the Board. The Board carries out its functions according to the powers conferred upon it by the memorandum and articles of association of the Company which have been uploaded onto the websites of the Hong Kong Stock Exchange and the Company, and since the date of uploading, no significant change has been made.

The main functions and duties conferred on the Board include:

— management of the overall business and strategic development;

— deciding business plans and investment plans;

— convening general meetings and reporting to the Shareholders;

— exercising other powers, functions and duties conferred by the Shareholders in general meetings; and

— performing corporate governance duties in compliance with the terms of reference set out in the Corporate Governance Code.

The day-to-day management, administration and operations of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Directors may have access to the advice and services of the company secretary of the Company to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the Directors may, upon reasonable request, seek independent professional advice under appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate, appropriate, independent and professional advice to the Directors to assist the relevant Directors in discharging their duties.

The Board is of the view that the following mechanisms adopted by the Company are effective in ensuring that independent views and inputs are available to the Board:

- The Board comprises at least 50% of non-executive Directors.
- In assessing suitability of the Director candidates, the Board will consider their profiles, including their character, experience, qualifications and time commitment; the Board will also consider the Board's overall composition and skill matrix as well as the Company's diversity policy.
- The Board will review each Director's time commitment to the Company's business annually.
- The Board will assess non-executive Directors' independence upon appointment and annually.
- Directors are required to abstain from voting in matters in which he has material interest.
- Directors can upon reasonable request seek independent professional advice at the Company's expenses to discharge their duties.

The quality of deliberations at meetings of the Board are reviewed during the annual evaluation of the Board's performance.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgement to the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions; in particular, they bring an impartial view to issues relating to the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management to ensure that all interests of Shareholders are taken into account, and the interests of the Company and its Shareholders are protected.

The Board has three independent non-executive Directors in compliance with Rule 3.10(1) of the Listing Rules, which requires that every board of directors of a listed issuer must include at least three independent non-executive Directors. In addition, at least one independent non-executive Director, namely, Dr. Chan Yee Wah, possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors, representing more than one-third of the Board, in compliance with Rule 3.10A of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Training and Support for Directors

All Directors must attend a mandatory director training to keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. Any newly appointed Director will complete 24 training hours within 18 months of their appointment; if the newly appointed Director has prior directorship experience in listed companies within 3 years prior to their appointment, the minimum training hours will be 12 hours.

The Directors have been informed of the requirement under code provision C.1.4 of the Corporate Governance Code regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following trainings with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Corporate Governance Code on continuous professional development during the year ended 31 December 2024:

	Corporate Governance/Updates on laws, rules and regulations		Accounting/Financial/ Management or other professional skills	
Name of Director	**Read materials**	**Attended seminars/ briefings**	**Read materials**	**Attended seminars/ briefings**
Executive Directors				
Mr. Ding Shui Po	✓	✓	✓	✓
Ms. Ding Mei Qing	✓	✓	✓	✓
Mr. Ding Ming Zhong	✓	✓	✓	✓
Non-Executive Director				
Mr. Tan Wee Seng	✓	✓	✓	✓
Independent Non-Executive Directors				
Dr. Bao Ming Xiao	✓	✓	✓	✓
Dr. Wu Ka Chee, Davy	✓	✓	✓	✓
Dr. Chan Yee Wah	✓	✓	✓	✓

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Appointments and Re-Election of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with the Company, and is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company.

The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in the sportswear industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board believes that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which is comprised of experienced and high caliber individuals. The Board currently consists of four executive Directors, one non-executive Director and three independent non- executive Directors and has a strong independence element in its composition.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Mr. Tan Wee Seng had entered into a service contract commencing from 29 March 2010 and the contract continued to have full force upon his re-designation as an non-executive Director effective from 17 March 2022. Dr. Bao Ming Xiao had entered into a service contract with the Company for an initial term of two years commencing from 21 December 2012. Dr. Wu Ka Chee, Davy had entered into a service contract with the Company for an initial term of two years commencing from 7 May 2021. Dr. Chan Yee Wah had entered into a service contract with the Company with no fixed term commencing from 17 March 2022.

All the service contracts of non-executive Directors (including independent non-executive Directors) are automatically renewed upon expiration (for service contracts with fixed term) and may be terminated by either party with a three- month's prior written notice.

BOARD COMMITTEES

The Board has established the (i) Audit Committee, (ii) Remuneration Committee, (iii) Nomination Committee, and (iv) Sustainability Committee with defined terms of reference. The terms of reference of the board committees, which explain their respective role and the authority delegated to them by the Board, are available on the websites of the Company and the Hong Kong Stock Exchange. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance under appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee was established on 7 May 2008, in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of four members, namely, Dr. Chan Yee Wah, Mr. Tan Wee Seng, Dr. Bao Ming Xiao and Dr. Wu Ka Chee, Davy, the majority of whom are independent non-executive Directors. Dr. Chan Yee Wah, who has appropriate professional qualifications and experience in accounting matters, is the chairlady of the Audit Committee. None of the members of the Audit Committee have any financial interest in or is a former partner of the existing external auditor of the Company, Ernst & Young.

The primary duties of the Audit Committee are to make recommendation to the Board on the appointment, re- appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee the risk management and internal control procedures of the Company.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2024, the Audit Committee mainly performed the following duties:

— reviewed the Group's audited annual results for the year ended 31 December 2023 and the unaudited interim results for the six months ended 30 June 2024, met with the external auditors to discuss such interim results and annual results without the presence of the Company's management, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;

— reviewed the accounting principles and practices adopted by the Group, and recommended the appointment of the external auditors; and

— assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year ended 31 December 2024, three meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/Number of Audit Committee meeting(s) held during a director's tenure
Dr. Chan Yee Wah	3/3
Mr. Tan Wee Seng	3/3
Dr. Bao Ming Xiao	3/3
Dr. Wu Ka Chee, Davy	3/3

There had been no disagreement between the Board and the Audit Committee during the financial year ended 31 December 2024.

Remuneration Committee

The Remuneration Committee was established on 7 May 2008, with written terms of reference in compliance with the Corporate Governance Code. The Remuneration Committee consists of three members, namely Dr. Wu Ka Chee, Davy, Ms. Ding Mei Qing and Dr. Bao Ming Xiao, the majority of whom are independent non-executive Directors. Dr. Wu Ka Chee, Davy is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment).

During the year ended 31 December 2024, the Remuneration Committee mainly performed the following duties:

— reviewed the Group's remuneration policy and reviewed the remuneration package of the executive Directors, non-executive Directors and senior management for the year of 2024; and

— reviewing matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended 31 December 2024, one meetings were held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance/Number of Remuneration Committee meeting held during a director's tenure
Dr. Wu Ka Chee, Davy	1/1
Ms. Ding Mei Qing	1/1
Dr. Bao Ming Xiao	1/1

Nomination Committee

The Nomination Committee was established on 7 May 2008, with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of three members, namely, Mr. Ding Shui Po, an executive Director and the chairman of the Board, Mr. Tan Wee Seng, a non-executive Director and Dr. Wu Ka Chee, Davy, an independent non-executive Director. Mr. Ding Shui Po is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board at least once a year and to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships.

During the year ended 31 December 2024, the Nomination Committee mainly performed the following duties:

— reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence; and

— reviewed the structure, size and composition of the Board during the year of 2024.

— assessed each Director's time commitment and contribution to the Board.

The Nomination Committee will also give consideration to the Board Diversity Policy when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy on a regular basis to ensure its effectiveness.

A "Nomination Policy" for Directors was formally adopted and this incorporated the nomination criteria and principles for Directors that are set out in the Nomination Committee's terms of reference. The Nomination Policy applies to the directors of the Company and where applicable, senior management prepared for Board positions under the succession planning of the Company.

The Nomination Policy aims to (i) set out the criteria and process in the nomination and appointment of directors of the Company; (ii) ensure that the Board of the Company has a balance of skills, experience and diversity of perspectives appropriate to the Company; and (iii) ensure the Board continuity and appropriate leadership at Board level.

CORPORATE GOVERNANCE REPORT

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Process

Appointment of New Director

i. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

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

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

iv. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

v. For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

Re-election of Director at General Meeting

i. The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

ii. The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

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

Where the Board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

During the year ended 31 December 2024, one meeting was held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/Number of Nomination Committee meeting held during a director's tenure
Mr. Ding Shui Po	1/1
Mr. Tan Wee Seng	1/1
Dr. Wu Ka Chee, Davy	1/1

Diversity

Board diversity

Pursuant to code provisions of the Corporate Governance Code, the Board approved a new board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

Having implemented the Board Diversity Policy, we believe we have achieved gender diversity in respect of the Board: as at the date of this report, the Board comprises six (75.0%) males and two (25.0%) females, which is higher than the average of the listed issuers on the Stock Exchange in the consumer discretionary sector in 2025 (based on the data in "Board Diversity & Inclusion in Focus", the Stock Exchange repository). It is our goal to maintain female representation in the Board at a level that is not less than the average of listed issuers in Hong Kong in the same industry. The Company will continue to enforce and review our Board Diversity Policy. In particular, when the Board identifies potential Director candidates in the future, it will ensure that sufficient consideration will be given to gender diversity in light of the gender distribution of the boards of listed issuers on the Stock Exchange which operates in the same industry as the Company.

Workforce diversity

As at 31 December 2024, the Group had a total workforce of approximately 8,900 employees, of which 45% are males, and 55% are females. As at the date of this report, among the senior management team of four members, 75.0% (three) are males and 25.0% (one) is female.

While we believe our future employee recruitment should predominantly be merit-based and do not consider it appropriate to set any target gender ratio for our workforce, we recognize and embrace the benefits of having a diverse workforce, and will continue to enhance the diversity of our workforce, subject to availability of suitable candidates.

Sustainability Committee

The Sustainability Committee was established on 1 January 2021 and consists of four members, namely Mr. Tan Wee Seng, Mr. Ding Shui Po, Ms. Ding Mei Qing and Dr. Chan Yee Wah, the majority of whom are executive Directors. Mr. Tan Wee Seng is the chairman of the Sustainability Committee.

The primary duties of the Sustainability Committee are to assist the Board in overseeing the Company's Environmental, Social and Governance ("ESG") initiatives. Supported by the Sustainability Working Group which comprises the heads of various business and operations units, the Board-level Sustainability Committee oversees the ESG management approach, the implementation progress of the ESG initiatives, the achievement of the KPIs that are set out under our long-term sustainability plan and communicates all ESG-related issues to internal and external stakeholders. It also monitors the Company's sustainability and ESG information reporting and disclosure in annual ESG report and advises the Board on all the matters in the applicable code provision(s) of the ESG Reporting Guide (Appendix C2) of the Listing Rules.

During the year ended 31 December 2024, two meetings were held by the Sustainability Committee. The attendance record of each member of the Sustainability Committee at the meetings of the Sustainability Committee is set out below:

Name of Director	Attendance/Number of Sustainability Committee meeting held during a director's tenure
Mr. Tan Wee Seng	2/2
Mr. Ding Shui Po	2/2
Ms. Ding Mei Qing	2/2
Dr. Chan Yee Wah	2/2

AUDITOR'S REMUNERATION

The Company has re-appointed Ernst & Young as its external auditor during the year ended 31 December 2024. The external auditor is refrained from engaging in non-audit services except for specific approved items, such as review of interim results of the Group. The Audit Committee reviews the external auditor's statutory audit scope and non-audit services and approves its fees. Details of the fees paid/payable to Ernst & Young during the year are as follows:

	RMB
Review of interim results	881,000
Annual audit services	5,520,000
Other services	50,000
Total	6,451,000

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flows of the Company and its subsidiaries for that financial year. The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group. As at 31 December 2024, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditor for the audit of the consolidated financial statements, are set out in the section headed "Independent Auditor's Report" in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises its overall responsibility for the Group's risk management and internal control systems and reviewing their effectiveness on an ongoing basis.

The risk management and internal control systems of the Group are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The Group's risk management and internal control system are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures taken to address such variances and identified risks. The Company has established policies and procedures applicable to all operating units to ensure the effectiveness of risk management and internal controls systems. The Company also has a process for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objective. This process is subject to continuous improvement and was in place throughout 2024. The day-to-day operations are entrusted to individual departments, which are accountable for their own conducts and performance, and are required to strictly adhere to the policies set by the Board. The Company carries out reviews of the effectiveness of the risk management and internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

CORPORATE GOVERNANCE REPORT

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is promptly assessed and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board and the Audit Committee considered that the key areas of the Group's risk management and internal control systems, including the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and the Group has fully complied with provisions of the Corporate Governance Code regarding risk management and internal control systems in general for the year ended 31 December 2024.

Objectives

The Board acknowledges its overall responsibility for overseeing the Group's risk management and internal control systems and ensures that a review of their effectiveness on ongoing basis. The Board has delegated and authorized its responsibilities of risk management to the Audit Committee, which is responsible for assisting the Board to evaluate and determine the nature and extent of the risks that the Group is willing to take to achieve its business strategic objectives and to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems and oversees the design, implementation and supervision of risk management and internal control systems. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to meet its business strategic objectives and to provide a reasonable, but not absolute, assurance against material misstatement or loss.

The management has confirmed to the Audit Committee and the Board that risk management and internal control systems were effective for the year ended 31 December 2024.

Main Features of the Risk Management and Internal Control Systems

The Company has established a risk governance organization structure with clear responsibilities and authorities.

Risk Governance Organization Structure

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

(a) Board

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

(b) Audit Committee

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

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

(c) Risk Management and Internal Audit Department

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

(d) Management

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

Process for Identification, Assessment and Management of Material Risks

The processes used by the Group for identification, assessment and management of material risks are summarized as follows:

Risk Identification: Identifies risks that may potentially and materially affect its strategies, business, operations and finance.

Risk Evaluation: Evaluates the identified risks by using the designated risk assessment criteria developed by the management; and evaluates the potential impacts and the likelihood of their occurrence.

Risk Response: Prioritizes the material risks by comparison of the risk assessment results; and determines the risk control strategies and internal control processes to avoid, prevent or mitigate the identified risks.

Risk Reporting and Monitoring: Discusses about the results of risk management to the Board, the Audit Committee and the management regularly; continuously monitors the identified risks and ensures that internal control system processes appropriately; and reassesses the risk control strategies and internal control processes in case of any material changes in business and the external environment.

CORPORATE GOVERNANCE REPORT

Process Used to Review the Effectiveness of the Risk Management and Internal Control Systems

During the year ended 31 December 2024, the Board and the Audit Committee have conducted annual review of the effectiveness of the Group's risk management and internal control systems on all major operations of the Group, with assistance from the Group's Audit Committee, risk management and internal audit department and the management. The Group's risk management and internal audit department has reported major risk management and internal control review findings to the Audit Committee. The Board considered that all recommendations from the Audit Committee will be properly followed up to ensure that the effectiveness of risks control and proper internal control systems.

Annual Review

A comprehensive review on the effectiveness of the Group's risk management and internal control system is conducted by the Board and the Audit Committee annually, covering all material controls including financial, operational and compliance monitoring.

The Group has conducted regular review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2024. The Board and the Audit Committee discussed the risk management and internal control systems with management, which includes the adequacy of resources, staff qualifications and experience, training programs and budget to the Group's accounting, internal audit and financial reporting function, to ensure that management has performed its duty to have effective systems. The Board and the Audit Committee also considered the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and the work of the risk management and internal audit department.

During the year ended 31 December 2024, the Board and the Audit Committee considered that the adequacy of resources, qualifications and experience of our accounting, internal audit and financial reporting staff, and their training programs and budget, are reasonably implemented and considered that the risk management and internal audit department and the management are competent to carry out their roles and responsibilities. In accordance with such results, the Board and the Audit Committee are of the view that the Group has adequate workforce to satisfy with accounting and financial reporting duties and to comply with the Listing Rules. The Board and the Audit Committee also discussed the extent and communication of monitoring results annually to enables for the assessment of the Group's control and the effectiveness of risk management.

In the annual review, the Group's risk management and internal control system is subject to continuous review and improvement to enable timely responses to any changes of risks facing by the Group. The Board and the Audit Committee have considered major findings on risk management and internal control matters from the risk management and internal audit department and the management. No material control failure or weaknesses to the extent that have resulted in unforeseen outcomes or contingencies in the future which may have material impacts on the Group's financial performance or conditions have been identified by the Group.

The Board confirms that the Group has complied with provisions of the Corporate Governance Code regarding risk management and internal control systems for the year ended 31 December 2024. The Group therefore considers that the risk management and internal control systems are effective and adequate.

Internal Audit Function

The Group's internal audit function is performed by its risk management and internal audit department, which plays an important role in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports regularly. The Board and the Audit Committee considered that the risk management and internal audit department had been provided with adequate resources and budget and comprised qualified staff with sufficient experience and training programs to perform its internal audit function. For the year ended 31 December 2024, the risk management and internal audit department implemented the internal audit functions and reports findings regularly to the Audit Committee, which makes recommendations based on the findings to the Board.

Anti-corruption and Whistle-blowing

We have adopted an anti-corruption policy which sets out the professional and ethical standards for our employees to observe in all business dealings. Our employees are made aware of the Group's "Anti-fraud complaints reporting management system" and the "Code of integrity", which details our anti-corruption requirements concerning relevant national policies such as the "Basic Norms for Internal Control" and "Guidelines for Application of Enterprise Internal Controls" published by the Chinese government. To raise staff awareness regarding anti-corruption topics, we organized anti-corruption training for new joiners in 2024 to build a culture of integrity among them. The training was also recorded and provided to employees in an e-learning format. In addition, all suppliers are required to comply with our supplier code of conduct to ensure that they are fully aware of the Group's requirements.

The Group is committed to achieving and maintaining the highest possible standards of openness, integrity and accountability. To prevent as far as possible violations and ensure compliance and operation by the highest ethical standards, the Group has designated specific whistle-blowing policies to allow employees, business partners and other relevant stakeholders to report illegal or non-compliant activities involving the Group to the risk management and internal audit department and the Audit Committee confidentially. The identity of the whistle-blower and the relevant records of the whistle-blowing are treated with the strictest confidential.

Inside Information and Information Disclosure

The Group has established a policy for ensuring that inside information is disclosed to the public in an equal and timely manner in compliance with the relevant laws and regulations. The policy regulates the handling and dissemination of inside information, including designates specific persons to be the main spokesperson of the Group to respond to external enquiries; designates reporting paths to facilitate each party to give an account of potential inside information to the designated responsible personnel; and designates responsible persons and departments to make decision about further actions to be taken and the ways to be disclosed.

COMPANY SECRETARY

The company secretary of the Company is Mr. Cheung Yan Kiu, whose biography details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Cheung Yan Kiu was appointed as the company secretary of the Company with effect from 28 June 2024 following the resignation of Mr. Yeung Lo Bun as the company secretary of the Company with effect from the same date.

Mr. Cheung has been informed of the requirement of the Rule 3.29 of the Listing Rules, and he has confirmed that he had attained no less than 15 hours of relevant professional training during the year ended 31 December 2024.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting and to Put Forward Proposals at Shareholders' Meeting

Pursuant to the Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Unit A, 27/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by Which Enquiries May Be Put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Unit A, 27/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTOR RELATIONS

Constitutional Documents

In 2024, the Board proposed to make amendments to the Company's articles of association and to adopt the amended articles of association for the purpose of, among other things, reflecting and aligning with the latest regulatory requirement in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December 2023. A special resolution of the shareholders was passed at the annual general meeting held on 3 May 2024 to approve the amendments to the articles of association of the Company and the adoption of the amended and restated articles of association of the Company with effect from the same date.

Please refer to the AGM circular of the Company dated 11 April 2024 for details of the amendments to the Company's articles of association.

The amended and restated articles of association of the Company have been published on the Company's website (www.xtep.com.hk) and the Stock Exchange's website (www.hkexnews.hk).

Shareholders' Communication Policy

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders of the Company and its investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders receive accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.xtep.com.hk. The Board maintains regular dialogues with institutional investors and analysts to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. At the general meeting, separate resolutions are proposed to resolve each substantially separate issue.

We also adhere to the highest standard of investor relations management and strive to maintain a long-term stable relationship with shareholders and investors. Through multiple physical and virtual channels, we timely disseminate accurate and comprehensive information about the Group to investors with the aim of engaging in an effective and bidirectional communication with them. Meanwhile, we uphold an open and candid attitude to listen to the views from the capital market and relay the feedback to our senior management and Board of Directors regularly. The Board of Directors and senior management have shown tremendous support for the investor relations program. Together with the investor relations team, they have participated heavily in the communication with the capital market and have frequently attended investor events to maintain an open dialogue with both local and overseas investors.

Please also refer to the Investor Relations Report in this Annual Report for the review of the implementation and effectiveness of our shareholders' communication policy conducted during the year.

Dividend Policy

On 19 February 2019, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the design, development, manufacturing and marketing of sportswear, including footwear, apparel and accessory products, sold mainly under the self-owned Xtep brand and two internationally acclaimed brands, namely Saucony and Merrell.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2024 are set out in note 1 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2024 and the Group's financial position as at that date are set out in the financial statements on pages 95 to 198 of this annual report.

DIVIDENDS

An interim dividend of HK15.6 cents (equivalent to approximately RMB14.2 cents) per Share was declared and paid during the year, with an option to receive new fully paid shares of the Company in lieu of cash. A special dividend of HK44.7 cents (equivalent to approximately RMB41.3 cents) per Share was declared and paid during the year. The Board recommended a final dividend of HK9.5 cents (equivalent to approximately RMB8.8 cents) per Share for the year ended 31 December 2024, subject to approval by the Shareholders at the annual general meeting to be held on 28 April 2025. The proposed final dividend will be offered with a scrip dividend option to the Shareholders, which will allow them to receive new shares of the Company in lieu of cash. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Hong Kong Stock Exchange's granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular containing details of this scrip dividend scheme will be dispatched to the Shareholders for the scrip dividend.

The total dividends for the year ended 31 December 2024, which included the interim dividend, final dividend and special dividend, amount to HK69.8 cents (equivalent to approximately RMB64.3 cents) per Share. Excluding the special dividend, they represented a dividend payout ratio of approximately 50.0%. Details of the dividends for the year ended 31 December 2024 are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2024, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB2,014.4 million. Details of the reserves of the Company as at 31 December 2024 are set out in note 48 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2024 amounted to approximately RMB58.3 million.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2024 are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2024 and as at the date of this annual report were:

Executive Directors

Ding Shui Po *(Chairman)*
Ding Mei Qing
Ding Ming Zhong
Yeung Lo Bun (with effect from 18 March 2025)

Non-Executive Director

Tan Wee Seng

Independent Non-Executive Directors

Bao Ming Xiao
Wu Ka Chee, Davy
Chan Yee Wah

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

For the executive Directors, Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong had entered into a service contract with the Company for an initial term of three years commencing on 3 June 2008. Mr. Yeung Lo Bun had entered into a service contract with the Company with no fixed term with effect from 18 March 2025.

Mr. Tan Wee Seng has been re-designated as an non-executive Director effective from 17 March 2022 and had entered into a service contract commencing from 29 March 2010 and the contract continued to have full force upon his redesignation.

For the independent non-executive Directors, Dr. Bao Ming Xiao had entered into a service contract with the Company for an initial term of two years commencing from 21 December 2012. Dr. Wu Ka Chee, Davy had entered into a service contract with the Company for an initial term of two years commencing from 7 May 2021. Dr. Chan Yee Wah had entered into a service contract with the Company with no fixed term commencing from 17 March 2022.

All the service contracts of Directors are automatically renewed upon expiration (for service contracts with fixed term) and may be terminated by either party with a three-month's prior written notice.

In accordance with article 87 of the Company's articles of association, Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong will retire from the Board by rotation at the forthcoming annual general meeting. Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong, being eligible, offer themselves for re-election. In accordance with article 86(3) of the Company's articles of association, Mr. Yeung Lo Bun, who was appointed by the Board as an executive Director with effect from 18 March 2025, shall hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Directors' and Senior Management's Biographies

Biographical details of the Directors and senior management are set out on pages 49 to 55 of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraphs headed "Connected transactions" below, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2024.

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

As at 31 December 2024, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Hong Kong Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code:

Long Positions in the Company

Name of Director	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[1]
Mr. Ding Shui Po	Founder and beneficiary of a discretionary trust[2]/Beneficial interests[3]	1,323,563,731	49.32%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust[2]/Beneficial interests[4]	1,253,656,233	46.71%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust[2]/Beneficial interests[5]	1,254,386,231	46.74%
Mr. Tan Wee Seng	Beneficial interests[6]	292,975	0.01%

Notes:

(1) It was based on 2,683,650,072 issued Shares of the Company as at 31 December 2024.

(2) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts.

The Family Trusts (through their controlled companies) indirectly hold 1,251,586,231 Shares in aggregate and therefore each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong is deemed to be interested in 1,251,586,231 Shares of the Company.

(3) Mr. Ding Shui Po was also beneficially interested in 71,977,500 Shares of the Company.

(4) Ms. Ding Mei Qing was also beneficially interested in 2,070,002 Shares of the Company.

(5) Mr. Ding Ming Zhong was also beneficially interested in 2,800,000 Shares of the Company.

(6) 100,000 of these shares were issued to Mr. Tan Wee Seng upon the exercise of options granted on 7 December 2011 under the share option scheme adopted by the Company on 7 May 2008. 180,000 of these shares were acquired by Mr. Tan Wee Seng on the Hong Kong Stock Exchange. The remaining 12,975 of these shares were received by Mr. Tan Wee Seng by way of scrip dividends for the 2020 final dividend and 2024 interim dividend.

Save as disclosed above, as at 31 December 2024, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies and subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

CONNECTED TRANSACTIONS

(A) Disposal of the KP Global Group, subscription of convertible bonds issued by KP Global and grant of waiver from non-compete obligations

On 9 May 2024, the Company, among others, entered into several agreements with certain connected persons which constituted connected transactions, which include:

(i) a share purchase agreement (the "Share Purchase Agreement") entered into between the Company and Ding Shun Investment Limited, pursuant to which the Company conditionally agreed to sell, and Ding Shun Investment Limited conditionally agreed to acquire, all the issued share capital of KP Global at the consideration of US$151,000,000 (the "KP Disposal"). As of 9 May 2024, Ding Shun Investment Limited was owned by Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong as to 67%, 21% and 12% respectively, who were the Directors and controlling shareholders of the Company. Accordingly, the transaction contemplated under the Share Purchase Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

(ii) a subscription agreement (the "KP Subscription Agreement") entered into between the Company and KP Global, pursuant to which the Company conditionally agreed to subscribe for and KP Global conditionally agreed to issue the 3.5% convertible bonds due 2032 in the principal amount of US$154,000,000 (the "KP Convertible Bonds"), subject to the terms and conditions set out in the KP Subscription Agreement. As KP Global would be wholly owned by Ding Shun Investment Limited upon completion of the KP Disposal, KP Global would become a connected person of the Company, the subscription of the KP Convertible Bonds by the Company constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

On 30 November 2024, the KP Disposal was completed in accordance with the terms of the Share Purchase Agreement and the issue of the KP Convertible Bonds was completed pursuant to the KP Subscription Agreement.

Simultaneous with the completion of the KP Disposal, the Company granted a waiver to Mr. Ding Shui Po and Ms. Ding Mei Qing as covenantors under the deed of non-compete dated 7 May 2008 (the "Deed of Non-compete") from strict compliance by them in respect of the non-competition restrictions under the Deed of Non-compete that apply to the business of the "K-Swiss" and "Palladium" brands being carried out by the KP Global Group. As each of Mr. Ding Shui Po and Ms. Ding Mei Qing was a Director and controlling shareholder and therefore a connected person of the Company, the grant of the waiver constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

For details of the above connected transactions, please refer to the announcements of the Company dated 9 May 2024 and 2 December 2024.

REPORT OF THE DIRECTORS

(B) Transitional arrangements following KP Disposal

To ensure smooth transition of the business of the KP Global Group following the completion of the KP Disposal, the Company and KP Global agreed that certain existing operational and administrative arrangements among the Group and the KP Global Group would continue after the completion of the KP Disposal for an initial period from 30 November 2024 to 31 December 2026. As such, the Company and KP Global entered into a transition services agreement (the "Transition Services Agreement") on 30 November 2024. As KP Global was a connected person after the completion of the KP Disposal, the transactions contemplated under the Transition Services Agreement disclosed in note 39 to the financial statements constituted continuing connected transactions of the Company.

Under the Transition Services Agreement, among others, the following transactions have been entered into:

(i) Provision of financial assistance to K-Swiss Inc.

On 30 November 2024, the Company and K-Swiss Inc., a subsidiary of KP Global, entered into a guarantee fee agreement, pursuant to which the Company agreed to continue to guarantee the liabilities of K-Swiss Inc. under the facility granted by a bank in the United States for a sum up to US$4,450,000, and K-Swiss Inc. agreed to pay a guarantee fee in the amount equal to 0.5% per annum of the total principal amount of the guarantee liability to the Company on a quarterly basis.

Subject to further arrangement with the bank, it is expected that the guarantee shall be released and replaced by cash deposits of K-Swiss Inc. as security for the facility as soon as practicable and in any event no later than the end of 2025.

The terms of the guarantee fee agreement, including the guaranteed amount, were determined after arm's length negotiations between the Company and K-Swiss Inc. having taken into account the facility amount made available by the bank to K-Swiss Inc. and market practice.

The annual caps under the guarantee fee agreement for the period from 30 November 2024 and up to 31 December 2024 and the year ending 31 December 2025 should not exceed US$4,450,000 and US$4,450,000, respectively, which were determined based on the maximum liability assumed by the Company and the term of the provision of the guarantee.

The corporate guarantee provided by the Company amounted to US$3,750,000 (approximately RMB26,959,000) for the year ended 31 December 2024 and the amount of guarantee fee received by the Company under the aforesaid guarantee arrangement for the year ended 31 December 2024 was US$1,600 (approximately RMB11,000).

(ii) Sharing of warehouse and logistics services

On 30 November 2024, Xtep (China) Co., Ltd., a subsidiary of the Company ("Xtep China"), entered into a warehouse and logistic services agreement with K-Swiss (Xiamen) Trading Co., Ltd. ("K-Swiss Xiamen") and Palladium (Xiamen) Trading Co., Ltd. ("Palladium Xiamen"), pursuant to which Xtep China agreed to provide warehousing and logistics services to K-Swiss Xiamen and Palladium Xiamen with its logistic facilities located in Quanzhou, the PRC from 30 November 2024 to 31 December 2026.

The service fees would be determined with reference to the actual amount of usage. The fee rate would be determined by the parties after arms' length negotiations with reference to the prevailing price of comparable services offered by independent third-party service providers for equivalent service scope, service type, service conditions and logistics service quality. The payment for the services would be made on a monthly basis.

The annual caps under the warehouse and logistic services agreement for the period from 30 November 2024 and up to 31 December 2024 and each of the two years ending 31 December 2026 shall not exceed RMB933,000, RMB16,800,000 and RMB25,200,000, respectively.

The amount of service fee received by Xtep China under the aforesaid warehouse and logistic services agreement for the year ended 31 December 2024 was RMB407,000.

For details of the above continuing connected transactions, please refer to the announcement of the Company dated 2 December 2024.

(C) Lease of premises from HD Century

During the year ended 31 December 2024, certain subsidiaries of the Company leased certain office units in Xiamen from Hu Du Century (Xiamen) Investment Management Co., Ltd. ("HD Century", an indirect wholly-owned subsidiary of Wan Xing International Holdings Limited, a controlling shareholder of the Company and is therefore a connected person of the Company).

The Company entered into a framework agreement (the "Lease Framework Agreement 2021") with HD Century on 8 December 2021 to govern the renewal of the existing leases and the entering into of new leases from time to time for the operations of the Group for the period from 1 January 2022 to 31 December 2024. Under the Lease Framework Agreement 2021, HD Century (as landlord) may, from time to time during the period from 1 January 2022 to 31 December 2024, enter into individual lease agreements with the Group (as tenant) to lease premises in the PRC to the Group for office or other uses for its operations. The Group shall determine the rent payable for each of the leases after arm's length negotiations with HD Century based on normal commercial principles with reference to the prevailing market rent of leases of comparable premises, the historical quotation to other independent third parties by HD Century for similar leases, and other factors such as floor area, facilities and location.

The annual caps for the total value of right-of-use assets related to the leases entered into in the three years ended 31 December 2024 were RMB20,000,000, RMB10,000,000 and RMB15,000,000, respectively. The connected transactions contemplated under the Lease Framework Agreement 2021 are continuously carried out in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Listing Rules and are therefore subject to annual review by the independent non-executive directors and the auditors of the Company.

For details, please refer to the announcement of the Company dated 8 December 2021.

During the year ended 31 December 2024, these was no addition right-of-use assets related to the leases entered into by the Group with HD Century. The rental amounts under the lease agreements were determined based on arm's length negotiations between HD Century and the Group with reference to the prevailing market price of leases of comparable office buildings.

As the terms of the lease Framework Agreement 2021 and certain existing leases expired on 31 December 2024 and the Company expected that the Group would continue to lease certain premises from HD Century, the Company entered into a framework agreement (the "Lease Framework Agreement 2024") with HD Century on 27 December 2024 to govern the renewal of the existing leases and the entering into of new leases from time to time for the operations of the Group for the period from 1 January 2025 to 31 December 2027. Under the Lease Framework Agreement 2024, HD Century (as landlord) might, from time to time from 1 January 2025 to 31 December 2027, enter into individual lease agreements with the Group (as tenant) to lease premises in the PRC to the Group for office or other uses for its operations. The Group would determine the rent payable for each of the leases after arm's length negotiations with HD Century based on normal commercial principles with reference to the prevailing market rent of leases of comparable premises, the historical quotation to other independent third parties by HD Century for similar leases, and other factors such as floor area, facilities and location.

REPORT OF THE DIRECTORS

The proposed annual caps for the total value of right-of-use assets related to the leases to be entered into in the three years ending 31 December 2027 will be RMB35,000,000, RMB10,000,000 and RMB10,000,000, respectively. The connected transactions contemplated under the Lease Framework Agreement 2024 will be continuously carried out in the ordinary and usual course of business of the Group, thus constituting continuing connected transactions of the Company under the Listing Rules and will therefore be subject to annual review by the independent non-executive directors and the auditors of the Company.

For details, please refer to the announcement of the Company dated 27 December 2024.

Certain related party transactions as disclosed in note 42 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The details of such continuing connected transactions have been set out above.

Annual review by independent non-executive directors and auditors

The Directors (including the independent non-executive Directors) have reviewed the above continuing connected transactions (i.e. the provision of financial assistance to K-Swiss Inc., the sharing of warehouse and logistics services, and the lease of premises from HD Century) and confirmed that the transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's auditor has been engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the above continuing connected transactions set out in sections B(i), B(ii) and C during the year ended 31 December 2024 disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director of the Company or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of its holding companies and its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate.

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

So far as is known to any Director or chief executive of the Company, as at 31 December 2024, the persons or corporations (other than Directors or chief executive of the Company) who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Nature of interest	Number of Shares interested	Approximate percentage of interest in the issued share capital of the Company[1]
Group Success	Beneficial interests	1,251,586,231	46.64%
Wan Xing International Holdings Limited	Interests of controlled corporation[2]	1,251,586,231	46.64%
Ding Wang Fortune Limited	Interests of controlled corporation[3]	1,251,586,231	46.64%
Guan Hong Development Limited	Interests of controlled corporation[3]	1,251,586,231	46.64%
Ming Zhong Family Limited	Interests of controlled corporation[3]	1,251,586,231	46.64%
UBS Trustees (BVI) Limited	Trustee[3]	1,251,586,231	46.64%
GSUM IV Holdings Limited	Beneficial interests[4]	169,684,196	6.32%
Hillhouse Focused Growth Fund V, L.P.	Interests of controlled corporation[4]	169,684,196	6.32%
Hillhouse Investment Management, Ltd.	Interests of controlled corporation[4]	169,684,196	6.32%

Notes:

(1) It was based on 2,683,650,072 issued Shares of the Company as at 31 December 2024.

(2) Wan Xing International Holdings Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited.

(3) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts and, through its nominee UBS Nominees Limited, holds the entire issued share capital of each of Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited as the respective trust assets under the Family Trusts.

Each of Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited, which is in turn held as to 67%, 21% and 12% by Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited, respectively.

(4) GSUM IV Holdings Limited is wholly controlled by Hillhouse Investment V, Ltd. which is wholly controlled by Hillhouse Focused Growth Fund V, L.P., and its investment manager is Hillhouse Investment Management, Ltd. Hillhouse Focused Growth Fund V, L.P. and Hillhouse Investment Management, Ltd. are therefore deemed to be interested in the underlying Shares held by GSUM IV Holdings Limited.

Save as disclosed above, as at 31 December 2024, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme (the "Share Award Scheme") to recognize the contributions by the Group's employees, executives, officers or directors and to give incentives in order to retain them for their continual operation and development and to attract suitable personnel for further development of the Group.

The Share Award Scheme was valid and effective for a period of 10 years from 1 August 2014 (the "Adoption Date"), and has expired on 1 August 2024.

Under the terms of the Share Award Scheme, the Shares to be awarded under the Share Award Scheme (the "Awarded Shares") will either be acquired by the trustee of the Share Award Scheme (the "Trustee") from the open market or be new Shares allotted and issued to the Trustee under general mandates granted by shareholders of the Company to the directors at general meetings of the Company from time to time, both of which will be settled by cash contributed by the Group. The Trustee will hold the Shares in trust for the awardees until such Shares are vested with the awardees in accordance with the provisions of the Share Award Scheme. The Trustee shall not exercise the voting rights in respect of any Shares held under the trust.

Under the Share Award Scheme, the Board shall not make any further award of Shares which will result in the nominal value of the Shares awarded by the Board under the Share Award Scheme exceeding 5% of the issued share capital of the Company from time to time. The maximum number of Shares which may be awarded to a selected participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

The vesting of Awarded Shares is subject to conditions and vesting schedules as determined by the Board in its sole discretion. The Awarded Shares will be vested in the respective proportions in accordance with the vesting schedule. The Trustee shall cause the Awarded Shares to be transferred to such selected participant on the vesting date.

The Awarded Shares shall be awarded and vested at no consideration. Vested Awarded Shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

During the year, no Awarded Share had been granted under the Share Award Scheme. Following the expiry of the Share Award Scheme on 1 August 2024, the Share Award Scheme was terminated and no further grant of Awarded Shares may be made. The trust period under the trust was also set to expire on 1 August 2024. For the purpose of enabling the Trustee to continue to hold the any Awarded Shares on trust until the scheduled vesting dates and for better administration of the Shares held by the Trustee, the Company and the Trustee agreed to extend the expiry date of the trust period of the trust to 1 August 2029.

Since the Adoption Date and up to the date of this report, a total of 125,000,000 Awarded Shares had been awarded under the Share Award Scheme, representing about 4.51% of the number of Shares in issue as of the date of this report.

None of the grantees of the Awarded Shares is a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

The total number of Shares which were available for being further awarded under the Share Award Scheme at the beginning and end of the year and the date of this report, and the percentage of the then issued share capital of the Company they represented are as follows:

Date	Number of Shares available for being further awarded	Percentage of the then issued share capital of the Company
1 January 2024	7,072,860	0.27%
31 December 2024	–	–
Date of this report	–	–

As of 31 December 2024, there were a total of 43,695,000 outstanding Awarded Shares, details of which are as follows:

			Number of Awarded Shares					
Name or category of grantees	Date of grant	Vesting period	Outstanding as at 1 January 2024	Granted during the year	Vested during the year	Forfeited during the year	Lapsed during the year	Outstanding as at 31 December 2024
Employees	19 March 2021	Note 1	66,324,000	–	(9,596,800)[2]	(13,032,200)	–	43,695,000

Notes:

1. 9,596,800 Awarded Shares were vested on 31 March 2024 and 13,032,200 Awarded Shares were forfeited by the relevant selected participants on 31 March 2024. The remaining 11,652,000, 11,652,000 and 20,391,000 Awarded Shares were scheduled to be vested on 31 March 2025, 31 March 2026 and 31 March 2027, respectively.

2. No purchase price was paid upon vesting. The weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested during the period is HK$4.85.

Further details of the Share Award Scheme are set out in note 36 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 12 February 2025, the Company completed the top-up placing of a total of 90,909,000 shares of the Company at a placing price of HK$5.50 per share. On 20 February 2025, the Company completed the issue of the 2025 Convertible Bonds in the aggregate principal amount of HK$500,000,000. Details of the aforesaid top-up placing of shares and the issue of the 2025 Convertible Bonds are set out in the section headed "Subsequent Events" below in this report.

Save as aforesaid neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2024 and up to the date of this annual report.

ISSUE OF CONVERTIBLE BONDS

2021 Convertible Bonds

On 9 September 2021, the Company issued convertible bonds in the aggregate principal amount of HK$500,000,000 (the "2021 Convertible Bonds") to an investor pursuant to the general mandate granted to the Board by the Shareholders on 7 May 2021. The ultimate beneficial owner of the investor was a third party independent of the Company and its connected persons. The 2021 Convertible Bonds bear interest from and including the issue date at 1.8% per annum, and the interest shall be accrued quarterly and payable in kind and accumulate as additional principal amount of the 2021 Convertible Bonds. The 2021 Convertible Bonds will mature on the sixth anniversary of the date of issue. For details, please refer to the announcements of the Company dated 15 June 2021 and 9 September 2021.

As of 31 December 2024, the initial conversion price of HK$10.244 per conversion share had been adjusted to HK$8.3446 per conversion share. For details, please refer to the announcements of the Company dated 30 June 2022, 31 October 2022, 30 October 2023, 28 June 2024, 30 October 2024 and 6 December 2024.

Upon full conversion of the 2021 Convertible Bonds at the conversion price of HK$8.3446 per conversion share, a maximum of 66,736,444 conversion shares will be issued (based on the maximum quarterly accrued interest of 1.8% interest per annum at the maturity date) representing approximately 2.49% of the issued share capital of the Company on 31 December 2024 and approximately 2.43% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

The gross proceeds and net proceeds from the issue of the 2021 Convertible Bonds were HK$500,000,000 and approximately HK$499,000,000, respectively. The Group intended to apply the net proceeds from the issue of the 2021 Convertible Bonds for the refinancing of existing debts, working capital and other general corporate purposes. The net proceeds have been fully utilised as intended in 2021.

As at 31 December 2024, the principal amount has been adjusted to HK$530,052,930, the additional amount being the 1.8% interest per annum accrued quarterly since issuance and payable in kind as additional principal amount.

2024 Convertible Bonds

On 1 November 2024, the Company issued convertible bonds in the aggregate principal amount of HK$500,000,000 (the "2024 Convertible Bonds") to an investor pursuant to the general mandate granted to the Board by the Shareholders on 3 May 2024. The ultimate beneficial owner of the investor was a third party independent of the Company and its connected persons. The 2024 Convertible Bonds bear interest from and including the issue date at 3.5% per annum, and the interest shall be accrued quarterly and payable in kind and accumulate as additional principal amount of the 2024 Convertible Bonds, provided that a holder of any 2024 Convertible Bonds may by notice in writing elect for such payment of interest with respect to such bonds to be made in cash in lieu of payment in kind. The 2024 Convertible Bonds will mature on the sixth anniversary of the date of issue. For details, please refer to the announcements of the Company dated 9 May 2024, 23 May 2024 and 1 November 2024 and the circular of the Company dated 2 August 2024.

As of 31 December 2024, the conversion price of the 2024 Convertible Bonds is HK$5.50 per conversion share.

Upon full conversion of the 2024 Convertible Bonds at the conversion price of HK$5.50 per conversion share, a maximum of 112,050,154 conversion shares will be issued (based on the maximum quarterly accrued interest of 3.5% interest per annum at the maturity date) representing approximately 4.18% of the issued share capital of the Company on 31 December 2024 and approximately 4.01% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

The gross proceeds and net proceeds from the issue of the 2024 Convertible Bonds were HK$500,000,000 and approximately HK$499,000,000, respectively. The Group intended to apply the net proceeds from the issue of the 2024 Convertible Bonds for funding the redemption of the K-Swiss Convertible Bonds. The net proceeds have been fully utilised as intended in 2024.

Further details of the above convertible bonds are set out in note 29 to the financial statements.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 December 2024.

SPECIFIC PERFORMANCE OBLIGATIONS ON CERTAIN CONTROLLING SHAREHOLDERS

On 3 July 2023, the Company as borrower entered into another facility agreement (the "2023 Facility Agreement") with a consortium of six banks which is arranged by Hang Seng Bank Limited ("HASE"), The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and The Bank of East Asia, Limited as mandated lead arrangers and bookrunners, pursuant to which a 4-year term loan facility in the principal amount of HK$1,000,000,000 (the "2023 Facility") was made available to the Company on the terms and conditions stated therein.

The 2023 Facility is guaranteed by certain subsidiaries of the Company.

It is provided in the 2023 Facility Agreement, among other things, that an event of default will occur if the following undertakings are not complied with and not remedied within 20 days of the earlier of (i) HASE, as the facility agent, giving notice to the Company and (ii) any of the Company or the guarantors named therein becoming aware of the failure to comply:

(a) Mr. Ding Shui Po will remain as the chairman of the Board of the Company.

(b) Mr. Ding Shui Po will maintain control over the management and business of the Group.

(c) Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Ding Ming Zhong and any of their respective family trust established by him/her whereby he/she and his/her family members are the only beneficiaries of the trust (the "Ding Family") collectively will continue to own, directly or indirectly, at least 40% of the beneficial shareholding, carrying at least 40% of the voting rights in the Company, free from any security.

(d) The Ding Family collectively will remain to be the single largest shareholder of the Company.

In case of occurrence of an event of default which is continuing, HASE, as the facility agent, may by notice to the Company (a) cancel the whole or any part of the 2023 Facility whereupon the whole or relevant part of the 2023 Facility shall immediately be cancelled; (b) declare that all or part of the 2023 Facility, together with accrued interest, and all other amounts accrued or outstanding under the 2023 Facility Agreement and related documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or (c) declare that all or part of the Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

As at the date of this annual report, the 2023 Facility has been fully repaid by the Company.

REPORT OF THE DIRECTORS

As at 31 December 2024 and as at the date of this report, Mr. Ding Shui Po was an executive Director, the chairman and a controlling shareholder of the Company. Each of Ms. Ding Mei Qing and Mr. Ding Ming Zhong was an executive Director and a controlling shareholder of the Company. The Family Trusts collectively held indirectly approximately 46.64% of the issued share capital of the Company. Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong also had personal beneficial interests in approximately 2.68%, 0.08% and 0.10% of the issued share capital of the Company respectively.

NON-COMPETE UNDERTAKINGS

On 30 November 2024, as part of the transactions under the KP Disposal, a waiver was granted to the covenantors under the Deed of Non-compete from strict compliance by them in respect of the non-competition restrictions under the Deed of Non-compete that apply to the business of the "K-Swiss" and "Palladium" brands being carried out by the KP Global Group.

Each of the controlling shareholders of the Company, who is an obligor under the Deed of Non-compete, has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company thereunder. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-compete have been complied with by such controlling shareholders of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

After the completion of the KP Disposal on 30 November 2024, Ding Shun Investment Limited (which is owned as to 67%, 21% and 12% by Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong respectively) owns the entire issued share capital of KP Global. Thus Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong have become interested in the business of the "K-Swiss" and "Palladium" brands carried out by the KP Global Group.

Save as aforesaid, none of the Directors is or was interested in any business, apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2024 and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share award scheme in which the Group's employees, executives, officers or Directors will be entitled to participate. Details of this scheme are set out in this paragraph headed "Share Award Scheme" above and note 36 to the financial statements.

None of the Directors waived any emoluments during the year.

PENSION SCHEME

The Group operates a defined contribution mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated income statements as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in China are required to participate in defined contribution central pension schemes operated by the local municipal government. The subsidiaries of the Group are required to contribute certain percentages of its payroll costs to the central pension schemes. The contributions are charged to the consolidated income statements as they become payable in accordance with the rules of the central pension scheme.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

BUSINESS REVIEW

A business review of the Group for the year ended 31 December 2024 is shown on pages 12 to 43.

SUBSEQUENT EVENTS

Issue of 2025 Convertible Bonds

On 20 February 2025, the Company issued convertible bonds in the aggregate principal amount of HK$500,000,000 (the "2025 Convertible Bonds") pursuant to the general mandate granted to the Board by the Shareholders on 3 May 2024. The 2025 Convertible Bonds have been placed by UBS AG Hong Kong Branch as the manager to no less than six (6) independent placees (who are professional investors as defined in the SFO). To the best of the Directors' knowledge, information and belief, each of the placees (and their respective ultimate beneficial owners) is a third party independent of the Company and its connected persons. The 2025 Convertible Bonds bear interest from and including the issue date at 1.5% per annum, and the interest shall be payable quarterly. The initial conversion price of the 2025 Convertible Bonds is HK$6.325 per conversion share. The 2025 Convertible Bonds will mature on 18 February 2026. The 2025 Convertible Bonds have been listed on the Vienne Stock Exchange. For details, please refer to the announcements of the Company dated 10 February 2025 and 20 February 2025.

Upon full conversion of the 2025 Convertible Bonds at the conversion price of HK$6.325 per conversion share, a maximum of 79,051,383 conversion shares will be issued.

The net proceeds from the issue of the 2025 Convertible Bonds were approximately HK$492,000,000. The Group intended to apply the net proceeds from the issue of the 2025 Convertible Bonds to (i) further develop the direct-to-consumer (DTC) business model for core Xtep brand and Saucony; (ii) further enhance Saucony's branding initiatives and product offerings; and (iii) for working capital to support general corporate purposes.

REPORT OF THE DIRECTORS

Placing of Existing Shares and Subscription of New Shares under General Mandate

Pursuant to a placing and subscription agreement entered into by the Company dated 9 February 2025, (i) a placing of a total of 90,909,000 existing shares of the Company (the "Sale Share(s)") held by Group Success, a controlling shareholder of the Company, was completed on 12 February 2025 at a placing price of HK$5.50 per Sale Share, to not less than six placees who and whose ultimate beneficial owners were third parties independent of the Company and its connected persons (the "Placing"); and (ii) the allotment and issue of a total of 90,909,000 new Shares (the "Subscription Share(s)") to Group Success was completed on 20 February 2025 at the subscription price of HK$5.50 per Subscription Share (the "Subscription"). The closing price of the shares of the Company on 7 February 2025, being last trading day prior to the date on which the terms of the Placing were fixed, was HK$6.07.

The net proceeds from the Subscription, after deducting the related placing commission, professional fees and all related expenses, were approximately HK$493 million. The net subscription price, after deduction of the relevant fees, costs and expenses, was approximately HK$5.42. The Group intended to apply the net proceeds to (i) further develop the direct-to-consumer (DTC) business model for core Xtep brand and Saucony; (ii) further enhance Saucony's branding initiatives and product offerings; and (iii) for working capital to support general corporate purposes.

Details of the Placing and the Subscription are set out in the Company's announcements dated 10 February 2025 and 20 February 2025.

Appointment of Executive Director and Change of Chief Financial Officer

With effect from 18 March 2025, Mr. Yeung Lo Bun has been appointed as an executive director of the Company, and has resigned as the chief financial officer of the Group; and (ii) Ms. Ding Lizhi has been appointed as the chief financial officer of the Group.

Mr. Yeung obtained legal advice from a firm of solicitors engaged by the Company qualified to advise on Hong Kong law on 18 March 2025 as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange. Mr. Yeung has confirmed that he understood his obligations as a director of the Company.

Details of the appointments have been set out in the Company's announcement dated 18 March 2025.

Save as aforesaid, there is no important event affecting the Group that had occurred since the end of the year up to the date of this annual report.

PERMITTED INDEMNITY PROVISION

Article 167 of the Company's articles of association provides that every Director, secretary and other officers shall be indemnified out of the assets and profits of the Company against all actions, costs, losses and damages which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his duty, or supposed duty, in his office, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to him.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers were 2.4% (2023: 2.7%) and 11.3% (2023: 12.0%) of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 4.5% (2023: 3.9%) and 18.2% (2023: 15.9%) of the Group's total purchases, respectively.

At no time during the year ended 31 December 2024, did a Director, his/her close associate(s) or a Shareholder which to the knowledge of the Director owns more than 5% of the Company's share capital (excluding treasury shares) have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Ernst & Young will retire and, being eligible, offer themselves for reappointment. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2024, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Listing Rules for the year ended 31 December 2024.

BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2024 are set out in note 28 to the financial statements.

FIVE-YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 8 of this annual report.

On behalf of the Board
Ding Shui Po
Chairman

Hong Kong, 18 March 2025

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Xtep International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Xtep International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 95 to 198, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables As at 31 December 2024, the Group had gross trade receivables of RMB5,012 million, after netting off the impairment provision of RMB415 million, resulted in net trade receivables of RMB4,597 million. Significant judgement and estimation by management are involved in the assessment of impairment, based on the lifetime expected credit loss to be incurred, by taking into account the ageing of trade receivables balances, the credit quality and credit loss history of debtors, and the prevailing sportswear market conditions. Both current and future general economic conditions are also taken into consideration by management in the estimation. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade receivables and the loss allowance for trade receivables in the year in which such estimate has been changed. The significant judgement and estimates and disclosures for the recognition of impairment of trade receivables are included in notes 3 and 22 to the consolidated financial statements.	Our procedures included, among others, reviewing management's assessment on the recoverability of the trade receivables with reference to various factors such as historical settlement and settlement received from customers subsequent to the end of the reporting period. We test checked the accuracy of the ageing classification of trade receivables. We also evaluated management's assessment of the credit quality of customers based on the sales and repayment history. In addition, we examined the information used by management to estimate the loss allowance for trade receivables, including testing of the historical default data, evaluating adjustments made to the historical loss rates based on current economic conditions and forward-looking information by checking to the published macroeconomics factors, and examining the actual losses recorded during the current financial year.
Provision for inventories As at 31 December 2024, the Group had gross inventories of RMB1,630 million, after netting off the provision of RMB34 million, resulted in net inventories of RMB1,596 million. Because of the fast changing market conditions, significant judgement and estimation by management are involved in identifying inventories with net realisable values that are lower than their costs and obsolete inventories, with reference to the selling prices and saleability of inventories, and the prevailing sportswear sales trend in markets. The related judgement and estimates and the provision for inventories are disclosed in notes 3 and 21 to the consolidated financial statements.	Our procedures included, among others, selecting samples of inventories and reviewing their net realisable values with reference to their selling prices subsequent to the end of the reporting period and the Group's pricing strategy, including any management's plan for significant discounts to be offered which may affect the net realisable values of these inventory items. We evaluated management's assessment of obsolescence of inventories with reference to their ageing, the condition of inventories during our observation of physical inventory count, and the historical sales trend of sportswear products.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Yuk Man.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

18 March 2025

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Re-presented)
CONTINUING OPERATIONS			
REVENUE	5	**13,577,222**	12,742,875
Cost of sales		**(7,711,818)**	(7,411,679)
Gross profit		**5,865,404**	5,331,196
Other income and gains, net	5	**395,624**	423,737
Selling and distribution expenses		**(2,867,906)**	(2,654,905)
General and administrative expenses		**(1,427,583)**	(1,302,050)
Operating profit		**1,965,539**	1,797,978
Net finance costs	7	**(97,529)**	(139,009)
Share of profits of associates		**33,403**	14,742
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**1,901,413**	1,673,711
Income tax expense	10	**(595,909)**	(416,319)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,305,504**	1,257,392
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	**(67,102)**	(224,343)
PROFIT FOR THE YEAR		**1,238,402**	1,033,049
Attributable to:			
Ordinary equity holders of the Company		**1,238,402**	1,030,009
Non-controlling interests		**-**	3,040
		1,238,402	1,033,049
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
— For profit for the year		**RMB48.67 cents**	RMB40.76 cents
— For profit from continuing operations		**RMB51.30 cents**	RMB49.64 cents
Diluted			
— For profit for the year		**RMB47.48 cents**	RMB39.58 cents
— For profit from continuing operations		**RMB50.01 cents**	RMB48.09 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR		**1,238,402**	1,033,049
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of operations outside Mainland China		**4,371**	(30,925)
Release of exchange differences upon disposal of subsidiaries	39	**(133,237)**	–
		(128,866)	(30,925)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of financial statements of the Company		**57,550**	32,306
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	20	**53,244**	7,900
Income tax effect	32	**(6,840)**	(1,185)
		46,404	6,715
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**103,954**	39,021
Other comprehensive income/(expense) for the year, net of tax		**(24,912)**	8,096
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,213,490**	1,041,145
Attributable to:			
Ordinary equity holders of the Company		**1,213,490**	1,038,143
Non-controlling interests		**–**	3,002
		1,213,490	1,041,145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**1,669,057**	1,592,157	1,367,520
Investment properties	15	**9,074**	16,646	25,540
Right-of-use assets	16(a)	**749,709**	817,541	685,516
Goodwill	17	**3,840**	842,164	830,217
Intangible assets	18	**16,522**	723,345	722,703
Investments in associates	19	**453,310**	494,806	190,387
Equity investments designated at fair value through other comprehensive income	20	**282,200**	256,565	248,665
Prepayment, deposits and other asset	23	**208,308**	237,799	84,875
Financial assets at fair value through profit or loss	31	**1,046,111**	–	–
Term deposits	24	**300,000**	300,000	–
Total non-current assets		**4,738,131**	5,281,023	4,155,423
CURRENT ASSETS				
Inventories	21	**1,595,654**	1,793,774	2,287,201
Trade receivables	22	**4,596,824**	4,518,401	3,809,438
Bills receivable	22	**414,500**	457,000	403,175
Prepayments, deposits, other receivables and other asset	23	**1,046,346**	1,111,845	1,370,506
Derivative financial instruments	27	**7,233**	7,078	5,440
Tax recoverable		**–**	–	911
Pledged bank deposits	24	**590,260**	861,722	546,918
Term deposits		**–**	–	500,349
Cash and cash equivalents	24	**2,979,194**	3,294,627	3,414,156
Total current assets		**11,230,011**	12,044,447	12,338,094
CURRENT LIABILITIES				
Trade payables	25	**2,095,441**	2,430,501	2,721,809
Bills payable		**100,000**	100,000	50,000
Other payables and accruals	26	**1,661,818**	1,665,057	1,425,863
Interest-bearing bank borrowings	28	**1,161,249**	953,584	2,230,924
Lease liabilities	16(b)	**77,362**	144,359	107,871
Deferred subsidies	33	**577**	577	577
K-Swiss Convertible Bonds	30	**–**	460,424	419,537
Derivative financial instruments	27	**72,982**	74,805	–
Tax payable		**113,188**	62,968	107,740
Total current liabilities		**5,282,617**	5,892,275	7,064,321
NET CURRENT ASSETS		**5,947,394**	6,152,172	5,273,773
TOTAL ASSETS LESS CURRENT LIABILITIES		**10,685,525**	11,433,195	9,429,196
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	28	**866,758**	1,691,366	192,940
Xtep Convertible Bonds	29	**856,786**	418,791	392,356
Derivative financial instruments		**–**	–	80,841
Lease liabilities	16(b)	**65,157**	133,744	122,222
Deferred tax liabilities	32	**175,650**	242,878	310,030
Deferred subsidies	33	**18,606**	19,183	19,341
Other liabilities		**–**	3,947	4,764
Total non-current liabilities		**1,982,957**	2,509,909	1,122,494
NET ASSETS		**8,702,568**	8,923,286	8,306,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
EQUITY				
Equity attributable to ordinary equity holders of the Company				
Share capital	34	**23,575**	23,191	23,147
Treasury shares	35	**(294,563)**	(282,991)	(311,889)
Equity component of convertible bonds		**85,848**	26,460	26,460
Reserves	35	**8,887,708**	9,095,906	8,506,439
		8,702,568	8,862,566	8,244,157
Non-controlling interests		**–**	60,720	62,545
Total equity		**8,702,568**	8,923,286	8,306,702

Ding Shui Po
Director

Ding Mei Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

		Attributable to ordinary equity holders of the Company											
	Notes	Share capital RMB'000 (note 34)	Treasury shares RMB'000 (note 35)	Equity component of convertible bonds RMB'000 (note 29)	Share premium account RMB'000 (note 48)	Capital reserve RMB'000 (note 35)	Statutory surplus fund RMB'000 (note 35)	Share award reserve RMB'000 (note 35)	Exchange fluctuation reserve RMB'000 (note 35)	Fair value reserve RMB'000 (note 35)	Retained profits RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023		23,147	(311,889)	26,460	2,016,158	118,615	1,304,344	38	(145,211)	86,075	5,126,420	62,545	8,306,702
Profit for the year		-	-	-	-	-	-	-	-	-	1,030,009	3,040	1,033,049
Other comprehensive income/(expense) for the year		-	-	-	-	-	-	-	1,419	6,715	-	(38)	8,096
Total comprehensive income for the year		-	-	-	-	-	-	-	1,419	6,715	1,030,009	3,002	1,041,145
Equity-settled share award arrangement	36	-	47,149	-	-	-	-	-	-	-	-	-	47,149
Awarded shares vested	36	-	2,493	-	-	-	-	(38)	-	-	(2,455)	-	-
2022 final dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(165,263)	-	(165,263)
2023 interim dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(317,608)	-	(317,608)
Shares issued in lieu of cash dividend	34	44	(20,744)	-	34,818	-	-	-	-	-	-	-	14,118
Deemed acquisition of a non-controlling interest	1	-	-	-	-	-	-	-	-	-	458	(458)	-
Acquisition of a non-controlling interest	1	-	-	-	-	-	-	-	-	-	-	(4,369)	(4,369)
Transfer to statutory surplus fund		-	-	-	-	-	392,411	-	-	-	(392,411)	-	-
Dividends for treasury shares		-	-	-	-	-	-	-	-	-	1,412	-	1,412
At 31 December 2023		23,191	(282,991)	26,460	2,050,976*	118,615*	1,696,755*	-*	(143,792)*	92,790*	5,280,562*	60,720	8,923,286

		Attributable to ordinary equity holders of the Company											
	Notes	**Share capital RMB'000 (note 34)**	**Treasury shares RMB'000 (note 35)**	**Equity component of convertible bonds RMB'000 (note 29)**	**Share premium account RMB'000 (note 48)**	**Capital reserve RMB'000 (note 35)**	**Statutory surplus fund RMB'000 (note 35)**	**Share award reserve RMB'000 (note 35)**	**Exchange fluctuation reserve RMB'000 (note 35)**	**Fair value reserve RMB'000 (note 35)**	**Retained profits RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2024		23,191	(282,991)	26,460	2,050,976	118,615	1,696,755	-	(143,792)	92,790	5,280,562	60,720	8,923,286
Profit for the year		-	-	-	-	-	-	-	-	-	1,238,402	-	1,238,402
Other comprehensive income for the year		-	-	-	-	-	-	-	61,921	46,404	-	-	108,325
Release of exchange differences upon disposal of subsidiaries		-	-	-	-	-	-	-	(177,715)	-	44,478	-	(133,237)
Total comprehensive income/(expense) for the year		-	-	-	-	-	-	-	(115,794)	46,404	1,282,880	-	1,213,490
Equity-settled share award arrangement, net	36	-	6,636	-	-	-	-	-	-	-	-	-	6,636
Awarded shares vested	36	-	3,915	-	-	-	-	-	-	-	(3,915)	-	-
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	20	-	-	-	-	-	-	-	-	(7,644)	7,644	-	-
2023 final dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(185,441)	-	(185,441)
2024 interim dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(361,013)	-	(361,013)
2024 special dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(1,049,112)	-	(1,049,112)
Shares issued in lieu of cash dividend	34	384	(22,123)	-	173,701	-	-	-	-	-	-	-	151,962
Issuance of 2024 Xtep Convertible Bonds	29(b)	-	-	59,388	-	-	-	-	-	-	-	-	59,388
Acquisition of additional interest in subsidiaries		-	-	-	-	-	-	-	-	-	4,092	(60,720)	(56,628)
Transfer to statutory surplus fund		-	-	-	-	-	203,186	-	-	-	(203,186)	-	-
At 31 December 2024		23,575	(294,563)	85,848	2,224,677*	118,615*	1,899,941*	-	(259,586)*	131,550*	4,772,511*	-	8,702,568

* These reserve accounts comprise the consolidated reserves of RMB8,887,708,000 (2023: RMB9,095,906,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		1,901,413	1,673,711
From a discontinued operation		(65,446)	(224,517)
Adjustments for:			
Depreciation property, plant and equipment and investment properties	14, 15	173,760	146,877
Depreciation of right-of-use assets	16	186,261	142,184
Share of profits of associates		(33,403)	(14,742)
Amortisation of intangible assets	18	15,007	15,983
Gain on termination of lease		(734)	(592)
Impairment/(write-back of impairment) of right-of-use assets	16	22,934	(510)
Impairment of property, plant and equipment	14	6,609	–
Loss on write-off of items of property, plant and equipment	6	6,135	20,592
Gain on disposal of investment properties	5	(19,956)	(20,001)
Gain on bargain purchase	38	(4,973)	–
Gain on disposal of subsidiaries	39	(83,490)	–
Bank interest income	7	(38,393)	(41,352)
Interest expense on bank loans	7	85,265	121,833
Interest expense on discounted bills receivable	7	11,779	23,380
Interest expense on lease liabilities	16	12,939	13,065
Interest expense on Xtep Convertible Bonds	7	25,873	20,670
Amortisation of bank charges on syndicated loans	7	5,253	2,362
Fair value gain on the derivative component of 2021 Xtep Convertible Bonds	5	(3,408)	(7,169)
Fair value loss on K-Swiss Convertible Bonds	30	2,539	34,182
Gain on redemption on K-Swiss Convertible Bonds	30	(3,879)	–
Fair value loss, net:			
Derivative financial instruments — transactions not qualified as hedges	7	–	5,492
Equity-settled share award expense	6	6,636	47,149
Impairment of trade receivables	22	22,249	22,163
Provision/(write-back of provision) for inventories		1,387	(12,274)
Income derived from financial assets at fair value through profit or loss, term deposits and structured bank deposits	5	(38,115)	(58,026)
		2,194,242	1,910,460
Decrease/(increase) in inventories		(105,962)	514,504
Increase in trade and bills receivables		(277,204)	(782,202)
Decrease/(increase) in prepayments, other receivables and other assets		(37,754)	260,808
Decrease in trade and bills payables		(167,879)	(246,097)
Increase in other payables and accruals		150,266	231,903
Cash generated from operations		1,755,709	1,889,376
Interest received		38,393	41,352
Interest paid		(97,044)	(145,213)
Overseas taxes paid		(468,979)	(530,583)
Net cash flows from operating activities		1,228,079	1,254,932

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (Re-presented)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(316,775)**	(388,522)
Addition of prepaid land lease		**(77,045)**	(100,925)
Additions of intangible assets	18	**(4,699)**	(6,274)
Decrease/(increase) in deposits for purchase of items of property, plant and equipment		**(1,728)**	2,795
Additions of investments in associates		**(26,641)**	(285,741)
Proceeds from disposal of investment properties		**25,709**	26,545
Disposal of subsidiaries	39	**755,344**	–
Acquisition of Merrell Brand and Saucony Brand	38(b)	**84,547**	(99,400)
Prepayment for capital contribution to an associate	23	**(124,500)**	–
Disposal of equity investments designated at fair value through other comprehensive income		**27,609**	–
Decrease/(increase) in pledged bank deposits		**271,462**	(314,804)
Decrease in term deposits		**–**	200,349
Additions of derivative financial instruments	38(a)	**–**	(7,078)
Income derived from financial assets at fair value through profit or loss, term deposits and structured bank deposits	5	**38,115**	58,026
Net cash flows from/(used in) investing activities		**651,398**	(915,029)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**1,359,919**	2,547,211
Repayment of bank loans		**(2,011,239)**	(2,358,326)
Net payment of the issue of 2024 Xtep Convertible Bonds and the redemption of K-Swiss Convertible Bonds	30	**(4,720)**	–
Prepayment for acquisition of non-controlling interests	38(c)	**–**	(56,319)
Acquisition of a non-controlling interest	1	**–**	(4,369)
Lease payments		**(177,327)**	(140,489)
Dividends paid		**(1,443,604)**	(468,753)
Exchange realignment		**80,448**	19,610
Net cash flows used in financing activities		**(2,196,523)**	(461,435)
DECREASE IN CASH AND CASH EQUIVALENTS		**(317,046)**	(121,532)
Cash and cash equivalents at beginning of year		**3,294,627**	3,414,156
Effect of foreign exchange rate changes, net		**1,613**	2,003
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,979,194**	3,294,627
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		**2,979,194**	3,294,627

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

Xtep International Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The Company's principal place of business in Hong Kong is located at Unit A, 27/F, Tower A, Billion Centre, 1 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were engaged in the design, development, manufacture and marketing of sportswear, including footwear, apparel and accessory products. There were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the controlling shareholder of the Company is Wan Xing International Holdings Limited ("Wan Xing"), which is a limited liability company incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation or establishment/ business	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xtep International Development Limited	BVI	US$10,000	100	–	Investment holding
Xtep International E-Commerce Investment Limited	BVI	US$50,000	100	–	Investment holding
Xtep (Hong Kong) Enterprise Limited	Hong Kong	HK$1,000	–	100	Investment holding
特步集團有限公司 (note (b))	People's Republic of China ("PRC")/ Mainland China	RMB3,275 million	–	100	Investment holding
特步(中國)有限公司 ("Xtep China") (note (b))	PRC/Mainland China	RMB762 million	–	100	Manufacture and trading of sportswear
Koling (Fujian) Garment Co., Ltd. (note (b))	PRC/Mainland China	RMB140 million	–	100	Manufacture and trading of sportswear
Xtep Sports Goods Co., Ltd. Jinjiang (note (b))	PRC/Mainland China	RMB246 million	–	100	Manufacture and trading of sportswear

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ business	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Xiamen Xtep Investment Company Limited (note (a))	PRC/Mainland China	RMB490 million	-	100	Trading of sportswear
特步(安徽)有限公司 ("Xtep Anhui") (note (b))	PRC/Mainland China	RMB450 million	-	100	Manufacture and trading of sportswear
特步湖南體育用品有限公司 (note (b))	PRC/Mainland China	RMB50 million	-	100	Manufacture of sportswear
晉江特步貿易有限公司 (note (b))	PRC/Mainland China	RMB10 million	-	100	Trading of sportswear
廈門市特步兒童用品有限公司 ("特步兒童") (notes (b) and (c))	PRC/Mainland China	RMB998.3 million	-	100	Trading of sportswear
廈門天鄰緣電子商務有限公司 (note (a))	PRC/Mainland China	RMB15.4 million	-	100	Trading of sportswear
廈門特享跑體育運動有限公司 ("特享跑") (note (b))	PRC/Mainland China	RMB3 million	-	100	Trading of sportwear
MS (China) Sports Company Limited	BVI	US$50,000	100	-	Investment holding
Merrell Distribution Operations Limited ("Merrell Distribution") (notes (d) and 38)	BVI	US$100	-	100	Investment holding
Merrell Brand Operations Limited (("Merrell Brand"), notes (d) and 38)	BVI	US$100	-	100	Investment holding
XMS Sports Co. Limited (notes (d))	BVI	US$1	-	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation or establishment/ business	Issued ordinary share/ registered and paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Saucony Distribution Operations Limited ("Saucony Distribution") (notes (d) and 38)	BVI	US$100	–	100	Investment holding
Saucony Brand Operations Limited (("Saucony Brand"), notes (d) and 38)	BVI	US$100	–	100	Investment holding
Saucony Distribution Operations (HK) Limited (note (d))	Hong Kong	HK$169 million	–	100	Investment holding and trading of sportswear
Saucony Brand Operations (HK) Limited (note (d))	Hong Kong	HK$260 million	–	100	Investment holding and trading of sportswear
廈門索康尼體育用品有限公司 (note (d))	PRC/Mainland China	RMB60 million	–	100	Trading of sportswear
廈門聖康尼品牌運營有限公司 (note (d))	PRC/Mainland China	RMB80 million	–	100	Trading of sportswear

Notes:

(a) The entities are wholly-foreign-owned enterprises and limited liability companies established in the PRC.

(b) The entities are registered as limited liability companies in the PRC.

(c) During the year ended 31 December 2023, the Group contributed RMB343.0 million into 特步兒童 while no further contribution was made by the non-controlling shareholder. Accordingly, the equity interest of the non-controlling shareholder was diluted from 0.6% to 0.4%, and such dilution constituted a deemed acquisition of non-controlling interest. The difference of RMB458,000 between the net asset value of 特步兒童 owned by the non-controlling shareholder before and after the deemed acquisition, was transferred from non-controlling interest to retained profits.

Pursuant to the sale and purchase agreements entered by the Group and non-controlling interest on 31 July 2023, the Group acquired the remaining 0.4% equity interest in 特步兒童 at a cash consideration of RMB4,369,000.

(d) These entities (collectively referred to as the "Merrell and Saucony Group") were established for carrying out the development, marketing and distribution of footwear, apparel and accessories under the Merrell and Saucony brands in Mainland China, Hong Kong and Macau.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for bills receivable, financial assets at fair value through profit or loss, equity investments at fair value through other comprehensive income and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in income statement. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liabilities in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 upon initial application of the amendments. As at 1 January 2023 and 2024, the Group had 2021 Xtep Convertible Bonds as defined in note 29 and K-Swiss Convertible Bonds as defined in note 30. Upon initial application of the amendments, the K-Swiss Convertible Bonds were reclassified to current liabilities as at 1 January 2023 and 1 January 2024 since the conversion options were not classified as equity and are exercisable at any time at the bondholders' options while 2021 Xtep Convertible Bonds were reclassified to non-current liabilities as at 1 January 2024 since the conversion options were classified as equity. The quantitative impact on the consolidated statement of financial positions and the statement of financial position of the Company are summarised below.

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Consolidated statement of financial position

	Increase/(decrease)		
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000
CURRENT LIABILITIES			
Xtep Convertible Bonds	**(450,271)**	(418,791)	–
K-Swiss Convertible Bonds	**–**	460,424	419,537
Total current liabilities	**(450,271)**	41,633	419,537
NET CURRENT ASSETS	**450,271**	(41,633)	(419,537)
TOTAL ASSETS LESS CURRENT LIABILITIES	**450,271**	(41,633)	(419,537)
NON-CURRENT LIABILITIES			
Xtep Convertible Bonds	**450,271**	418,791	–
K-Swiss Convertible Bonds	**–**	(460,424)	(419,537)
Total non-current liabilities	**450,271**	(41,633)	(419,537)

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) (Continued)

Statement of financial position of the Company

	Increase/(decrease)	
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
CURRENT LIABILITIES		
Xtep Convertible Bonds	**(450,271)**	(418,791)
Total current liabilities	**(450,271)**	(418,791)
NET CURRENT ASSETS	**450,271**	418,791
TOTAL ASSETS LESS CURRENT LIABILITIES	**450,271**	418,791
NON-CURRENT LIABILITIES		
Xtep Convertible Bonds	**450,271**	418,791
Total non-current liabilities	**450,271**	419,791

The adoption of the amendments did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, profit or loss, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2024 and 2023.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature — Dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards — Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

1 Effective for annual periods beginning on or after 1 January 2025
2 Effective for annual periods beginning on or after 1 January 2026
3 Effective for annual/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the income statement, including specified totals and subtotals. Entities are required to classify all income and expenses within the income statement into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting.* In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

Annual Improvements to HKFRS Accounting Standards — Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments*: *Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- HKAS 7 *Statement of Cash Flows:* The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

The Group measures its financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditure incurred after the items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Buildings	Over the shorter of lease terms and 20 years
Leasehold improvements	Over the shorter of lease terms and 5 years
Moulds, plant and machinery	3 to 10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are land and buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land and buildings held for a currently undetermined future use. Such properties are stated at cost less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Depreciation is calculated on the straight-line basis to depreciate the cost of each item of investment properties over the estimated useful life of 20 years.

Intangible assets (other than goodwill)

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Brand names

Brand names acquired through business combination with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful lives of brand names with indefinite lives are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Business relationship

Business relationship are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives from 7 years to 15 years.

Patents and trademarks

Purchased patents and trademarks are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the product so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognised as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. This category includes derivative financial instruments and structured bank deposits.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit loss ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more that 30 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. The Group has rebutted the 90 days past due presumption of default based on reasonable and supportable information, including the Group's credit risk control practices and the historical recovery rate of financial assets over 90 days past due. However, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt instruments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, other payables, financial liabilities included in accruals, derivative financial instruments, convertible bonds and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the income statement, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective position of cash flow hedges, which is recognised in other comprehensive income and later reclassified to the income statement when the hedged item affects the income statement.

Treasury shares

Own equity instruments which are reacquired and held by the Company (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowances for obsolete or slow-moving items. Cost is determined on a weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

Other asset

Other asset is the right to receive the new properties under a disposal arrangement. Such asset, being the partial consideration to be received upon disposal of a subsidiary, is initially recognised at its fair value. Subsequent to the initial recognition, other asset is stated at cost less any impairment losses.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant	2 to 10 years
Buildings	22 to 120 months
Prepaid land lease payments	40 to 51 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the income statement due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside income statement is recognised either in other comprehensive income or directly in equity.

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

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except that deferred tax is not recognised for Pillar Two income taxes.

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

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

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

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the sale of sportswear goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the sportswear goods.

Some contracts for the sale of sportswear provide customers with rights of return, giving rise to variable consideration.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Royalty income is recognised on an accrual basis based on the agreement terms and correspondence with the licensees regarding actual sales.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholder's right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns, and any additional decreases in the value of the returned goods.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Share-based payments

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

Other benefits

The Group contributes on a monthly basis to defined contribution housing, medical and other benefit plans organised by the government of the PRC. The PRC government undertakes to assume the benefit obligations of all existing and retired employees under these plans. Contributions to these plans by the Group are expensed as incurred. The Group has no further obligations for the benefits for their qualified employees under these plans.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Dividends

Final and special dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final and special dividends are disclosed in notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's presentation currency. The functional currency of the Company is the Hong Kong dollar which is the currency of the primary environment in which the Company operates. Since the Company does not conduct any substantive operations of its own and conducts its primary business operations through its subsidiaries in Mainland China, the Company adopts RMB as the presentation currency of the Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or income statement is also recognised in other comprehensive income or income statement, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain subsidiaries and associates operating outside Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at exchange rates prevailing at the end of the reporting period and their income statements are translated into RMB at the exchange rate that approximate to those prevailing at the dates of the transactions.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of an operation outside Mainland China, the cumulative amount in the reserve relating to that particular operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and its subsidiaries operating outside Mainland China are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its subsidiaries operating outside Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has an effect on the amounts recognised in the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty

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

Provision for inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated selling expenses. These estimates are based on the current market conditions and the historical experience of selling merchandise of similar nature. It could change significantly as a result of changes in customer taste or competitor actions. The Group reassesses these estimates at the end of each reporting period. As at 31 December 2024, the provision for inventories was RMB33,848,000 (2023: RMB82,614,000). The related disclosures are included in note 21 to the financial statements.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults in the retail and manufacturing sectors, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. As at 31 December 2024, the impairment of trade receivables was RMB415,480,000 (2023: RMB419,720,000). The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Deferred tax assets

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

The Group has tax losses of RMB344,959,000 (2023: RMB663,491,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB77,693,000. Further details on deferred taxes are disclosed in note 32 to the financial statements.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, e.g. the discounted cash flow ("DCF") model, binomial model, etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, equity value and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. The fair value of the Group's financial instruments stated at fair value through other comprehensive income, derivative financial instruments, K-Swiss Convertible Bonds and financial assets at fair value through profit or loss are disclosed in notes 20, 27, 29, 30, 31 and 45 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Withholding taxes arising from the distributions of dividends

In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on factors including future profitability, the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future. The related disclosures are included in note 32 to the financial statements.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which the goodwill is allocated. Estimating the recoverable amount requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB3,840,000 (2023: RMB842,164,000). The related disclosures are included in note 17 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. When value in use calculations or fair value less cost of disposal calculation under income approach are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The related disclosures are included in note 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of sportswear, including footwear, apparel and accessories. For management purposes, the Group is organised into business units based on market segmentation and has two reportable operating segments from continuing operations as follows:

(a) mass market segment, including signature brand, Xtep; and

(b) professional sports segment, including signature brands, Saucony and Merrell.

Management monitors the results of the Group's operating segments from continuing operations separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that net finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

The segment information reported below does not include any amounts for the discontinued operation as explained in more details in note 11.

Segment assets exclude derivative financial instruments, pledged bank deposits, term deposits, equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and other unallocated corporate assets as these assets are managed on a group basis.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

Segment liabilities exclude derivative financial instruments, interest-bearing bank borrowings, convertible bonds, tax payable, deferred tax liabilities and other unallocated corporate liabilities as these liabilities are managed on a group basis.

For the year ended 31 December 2024

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	12,326,919	1,250,303	13,577,222
Segment results	1,954,492	78,207	2,032,699
Share of profit of associates	16,242	17,161	33,403
Net finance costs			(97,529)
Corporate and other unallocated expenses			(67,160)
Profit before tax from continuing operations			1,901,413

For the year ended 31 December 2023

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	11,947,344	795,531	12,742,875
Segment results	1,891,009	8,414	1,899,423
Share of profit of associates	15,494	(752)	14,742
Net finance costs			(139,009)
Corporate and other unallocated expenses			(101,445)
Profit before tax from continuing operations			1,673,711

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2024

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment assets	12,421,256	755,092	13,176,348
Corporate and other unallocated assets			2,791,794
Total assets			15,968,142
Segment liabilities	3,649,735	311,889	3,961,624
Corporate and other unallocated liabilities			3,303,950
Total liabilities			7,265,574

For the year ended 31 December 2023

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment assets	12,029,364	319,671	12,349,035
Corporate and other unallocated assets			2,163,593
Assets related to a discontinued operation			2,812,842
Total assets			17,325,470
Segment liabilities	3,591,125	211,635	3,802,760
Corporate and other unallocated liabilities			3,963,506
Liabilities related to a discontinued operation			635,918
Total liabilities			8,402,184

NOTES TO FINANCIAL STATEMENTS

31 December 2024

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2024

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Other segment information:			
Depreciation of property, plant and equipment and investment properties	**125,267**	**17,138**	**142,405**
Depreciation of right-of-use assets	**53,882**	**57,952**	**111,834**
Impairment of trade receivables	**22,249**	**–**	**22,249**
Provision/(write-back of provision) for inventories, net	**(664)**	**2,051**	**1,387**
Capital expenditure	**237,260**	**24,690**	**261,950**
Investments in associates	**161,052**	**292,258**	**453,310**
Prepayment for capital contribution to an associate	**124,500**	**–**	**124,500**

For the year ended 31 December 2023

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Other segment information:			
Depreciation of property, plant and equipment and investment properties	109,262	11,936	121,198
Depreciation of right-of-use assets	41,846	41,371	83,217
Impairment of trade receivables	16,998	–	16,998
Write-back of provision for inventories, net	(15,405)	(1,198)	(16,603)
Capital expenditure	441,240	15,681	456,921
Investments in associates	387,153	107,653	494,806
Prepayment for acquisition of non-controlling interests	–	56,319	56,319
Prepayment for acquisition of Merrell Brand and Saucony Brand	–	99,400	99,400

Information about major customers

For the years ended 31 December 2024 and 2023, no revenue derived from a single customer of the Group accounted for over 10% of the Group's total revenue.

The Group's revenue, expenses, results, assets and liabilities are predominantly attributable to a single geographical region, which is Mainland China. Therefore, no analysis by geographical regions is presented.

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue, and other income and gains, net, from continuing operations, is as follows:

(i) Revenue from continuing operations

Revenue represents the net invoiced value of goods sold during the year, after allowances for returns and trade discounts. The performance obligation is satisfied upon delivery of the sportswear goods and the payment is generally due within 90 to 120 days from delivery, except for new customers, where payment in advance is normally required. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2024 RMB'000	2023 RMB'000
Product categories		
Footwear	**8,054,455**	6,950,715
Apparel	**5,226,166**	5,541,576
Accessories	**296,601**	250,584
	13,577,222	12,742,875

(ii) Other income and gains, net, from continuing operations

	2024 RMB'000	2023 RMB'000
Subsidy income[1]	**261,278**	276,224
Rental income	**18,615**	12,101
Royalty income	**37,015**	20,753
Income derived from financial assets at fair value through profit or loss ("FVPL"), term deposits and structured bank deposits	**38,115**	58,026
Dividend income derived from an equity investment designated at fair value through other comprehensive income ("FVOCI")	**–**	11,438
Fair value gain on the derivative component of 2021 Xtep Convertible Bonds	**3,408**	7,169
Gain on disposal of investment properties	**19,956**	20,001
Gain on bargain purchase (note 38)	**4,973**	–
Others	**12,264**	18,025
	395,624	423,737

[1] There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories sold[1]		**7,711,818**	7,411,679
Depreciation of property, plant and equipment and investment properties[2]		**142,405**	121,198
Depreciation of right-of-use assets[2]	16	**111,834**	83,217
Amortisation of intangible assets[2]		**3,856**	3,328
Advertising and promotional costs		**1,813,076**	1,693,214
Employee benefit expenses (including directors' remuneration — note 8):			
Wages and salaries		**1,283,270**	1,130,538
Other allowances and benefits		**57,307**	44,957
Pension scheme contributions[3]		**14,831**	14,558
Equity-settled share award expense[2]	36	**6,636**	47,149
		1,362,044	1,237,202
Auditor's remuneration		**5,520**	6,042
Loss on write-off of items of property, plant and equipment		**6,135**	20,592
Lease payments not included in the measurement of lease liabilities	16	**27,142**	13,510
Gain on termination of lease	16	**(734)**	(9)
Impairment of trade receivables[2]		**22,249**	16,998
Provision/(write-back of provision) for inventories[2]		**1,387**	(16,603)
Research and development costs[4]		**393,430**	397,629
Foreign exchange differences, net[2]		**32,461**	23,472
Fair value loss, net:			
Derivative financial instruments — transactions not qualified as hedges	7	**-**	5,492

1 The cost of inventories sold for the year includes RMB481,673,000 (2023: RMB406,280,000) relating to staff costs, depreciation of manufacturing facilities, depreciation of right-of-use assets and lease payments not included in the measurement of lease liabilities, which are also included in the respective total amounts disclosed above for each of these types of expenses.

2 The depreciation of investment properties and right-of-use assets, amortisation of intangible assets, equity-settled share award expense, impairment of trade receivables, provision/(write back of provision) for inventories and foreign exchange differences, net for the year are included in "General and administrative expenses" in the consolidated income statement.

3 As at 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2023: Nil).

4 The research and development costs for the year include RMB205,734,000 (2023: RMB155,227,000) relating to depreciation of research and development centres and staff costs for research and development activities, which are also included in the total amounts disclosed above for each of these types of expenses.

7. NET FINANCE COSTS

An analysis of net finance costs from continuing operations is as follows:

	2024 RMB'000	2023 RMB'000
Interest expense on bank loans	**(85,265)**	(121,833)
Interest expense on discounted bills receivable	**(11,779)**	(23,380)
Interest expense on Xtep Convertible Bonds (note 29)	**(25,873)**	(20,670)
Interest on lease liabilities (note 16)	**(6,509)**	(5,711)
Amortisation of bank charges on syndicated loans	**(5,253)**	(2,362)
Bank interest income	**37,150**	40,439
Fair value loss, net:		
Derivative instruments — transactions not qualified as hedges	**-**	(5,492)
	(97,529)	(139,009)

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2024 RMB'000	2023 RMB'000
Fees:		
Executive directors	**-**	-
Non-executive director	**301**	298
Independent non-executive directors	**656**	651
	957	949
Other emoluments of executive directors:		
Salaries, other allowances and benefits in kind	**9,396**	9,384
Performance-related bonuses	**2,160**	2,160
Pension scheme contributions	**103**	139
	11,659	11,683
Other emoluments of a non-executive director:		
Salaries, other allowances and benefits in kind	**-**	-
	12,616	12,632

NOTES TO FINANCIAL STATEMENTS

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8. DIRECTORS' REMUNERATION (Continued)

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

	Fees RMB'000	Salaries, other allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024					
a) *Executive directors*					
Ding Shui Po[1]	**–**	**4,338**	**960**	**27**	**5,325**
Ding Mei Qing	**–**	**2,889**	**720**	**35**	**3,644**
Ding Ming Zhong	**–**	**2,169**	**480**	**41**	**2,690**
	–	**9,396**	**2,160**	**103**	**11,659**
b) *Non-executive director*					
Tan Wee Seng	**301**	**–**	**–**	**–**	**301**
c) *Independent non-executive directors*					
Bao Ming Xiao	**240**	**–**	**–**	**–**	**240**
Wu Ka Chee, Davy	**197**	**–**	**–**	**–**	**197**
Chan Yee Wah	**219**	**–**	**–**	**–**	**219**
	656	**–**	**–**	**–**	**656**
	957	**9,396**	**2,160**	**103**	**12,616**
2023					
a) *Executive directors*					
Ding Shui Po[1]	–	4,332	960	27	5,319
Ding Mei Qing	–	2,886	720	71	3,677
Ding Ming Zhong	–	2,166	480	41	2,687
	–	9,384	2,160	139	11,683
b) *Non-executive director*					
Tan Wee Seng	298	–	–	–	298
c) *Independent non-executive directors*					
Bao Ming Xiao	240	–	–	–	240
Wu Ka Chee, Davy	195	–	–	–	195
Chan Yee Wah	216	–	–	–	216
	651	–	–	–	651
	949	9,384	2,160	139	12,632

[1] Mr. Ding Shui Po is also the chief executive officer of the Group.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, other allowances and benefits in kind	**8,040**	7,492
Performance-related bonuses	**2,600**	2,508
Pension scheme contributions	**167**	152
Equity-settled shares award expense	**285**	228
	11,092	10,380

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2024	2023
HK$3,000,001 — HK$3,500,000	**1**	2
HK$3,500,001 — HK$4,000,000	**1**	–
HK$4,000,001 — HK$4,500,000	**–**	–
HK$4,500,001 — HK$5,000,000	**–**	–
HK$5,000,001 — HK$5,500,000	**1**	1
	3	3

Share awards were granted to three (2023: three) non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such awards, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2023: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2024 **RMB'000**	2023 RMB'000
Current tax — Overseas		
Charge for the year	**431,665**	403,508
Underprovision/(overprovision) in prior years	**4,198**	(3,570)
	435,863	399,938
Deferred tax	**160,046**	16,381
Total tax charge for the year from continuing operations	**595,909**	416,319
Total tax charge/(credit) for the year from a discontinued operation	**1,656**	(174)
	597,565	416,145

Xtep China, a wholly-owned subsidiary of the Company, was taxed at a preferential 15% tax rate for the years ended 31 December 2024 and 2023 as Xtep China was qualified as a High-New Technology Enterprise (the "HNTE") in the PRC.

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the applicable statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax from continuing operations	**1,901,413**	1,673,711
Loss before tax from a discontinued operation	**(65,446)**	(224,517)
Total	**1,835,967**	1,449,194
Tax at the applicable tax rates	**453,000**	395,240
Effect of tax concessions	**(26,458)**	(25,786)
Adjustments in respect of current tax of previous years	**4,198**	(3,570)
Income not subject to tax	**(115,456)**	(97,649)
Expenses not deductible for tax	**95,914**	85,207
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**160,046**	16,381
Tax losses not recognised	**26,321**	46,322
Tax charge at the Group's effective rate	**597,565**	416,145
Tax charge from continuing operations at the effective rate	**595,909**	416,319
Tax charge/(credit) from a discontinued operation at the effective rate	**1,656**	(174)

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which it operates are above 15%. As the tax rate of which the Group's major operation was above 15%, the Group does not expect a material exposure to Pillar Two income taxes. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

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11. DISCONTINUED OPERATION

As detailed in the Company's announcement dated 9 May 2024, a sequence of transactions have been entered into among various parties as below:

(1) The Group and Ding Shun Investment Limited, which is owned by Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong as to 67%, 21% and 12%, respectively, who are the directors and ultimate controlling shareholders of the Company, entered into a share purchase agreement pursuant to which the Group has conditionally agreed to sell, and Ding Shun Investment Limited has conditionally agreed to acquire, all the issued share capital of KP Global Investment Limited (formerly known as Xtep Global Investment Limited") ("KP Global") at the consideration of US$151,000,000 (the "Disposal") (note 39);

(2) The Group proposed to swap the K-Swiss Convertible Bonds as defined in note 30 with the 2024 Xtep Convertible Bonds as defined in note 29(b). Accordingly,

(a) KP Global and GSUM VII Holdings Limited ("GSUM VII") entered into a convertible bonds redemption agreement, pursuant to which, KP Global agreed to redeem the K-Swiss Convertible Bonds at a redemption price of US$65,000,000 in aggregate (note 30); and

(b) the Company entered into the a subscription agreement with GSUM IV Holdings Limited ("GSUM IV"), pursuant to which GSUM IV has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the 2024 Xtep Convertible Bonds in the aggregate principal amount of HK$500,000,000 (note 29(b)), subject to the terms and conditions set out in the subscription agreement; and

(3) KP Global entered into a subscription agreement with the Company, pursuant to which the Company has conditionally agreed to subscribe for and KP Global has conditionally agreed to issue convertible bonds ("KP Convertible Bonds") at an aggregate principal amount of US$154,000,000 (notes 31 and 39), subject to the terms and conditions set out in the subscription agreement. The principal amount shall be satisfied and settled by offsetting against the amount due from KP Global to the Group.

KP Global Group owns the brands "K-Swiss" and "Palladium", as known as the Athleisure segment. The Disposal was completed on 30 November 2024. With KP Global being classified as a discontinued operation, the Athleisure segment is no longer included in the note for operating segment information.

11. DISCONTINUED OPERATION (Continued)

The results of KP Global Group for the period from 1 January 2024 to 30 November 2024 (i.e., date of completion of the Disposal) and year ended 31 December 2023 are presented below:

	Note	**2024 RMB'000**	2023 RMB'000
Revenue		**1,581,622**	1,602,633
Cost of sales		**(744,164)**	(884,154)
Other income and gains/(losses), net		**(16,830)**	19,472
Selling and distribution expenses		**(793,763)**	(718,530)
General and administrative expenses		**(170,612)**	(237,497)
Loss from operating activities		**(143,747)**	(218,076)
Net finance costs		**(5,189)**	(6,441)
Gain on disposal of subsidiaries	39	**83,490**	–
Loss before tax from the discontinued operation		**(65,446)**	(224,517)
Income tax credit/(expense)		**(1,656)**	174
Loss for the year from the discontinued operation		**(67,102)**	(224,343)

The net cash flows incurred by discontinued operation are as follows:

	2024 RMB'000	2023 RMB'000
Operating activities	**(24,910)**	(2,299)
Investing activities	**(43,227)**	(32,576)
Financing activities	**185,068**	19,429
Net cash flows	**116,931**	(15,446)
Net cash inflow from disposal of subsidiaries (note 39)	**755,344**	–
Loss per share:		
Basic, from the discontinued operation*	**(2.64) cents**	(8.88) cents

* No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 and 2023 in respect of a dilution as the impact of the K-Swiss Convertible Bonds had an anti-dilutive effect on the loss per share amounts presented.

The calculations of basic loss per share from the discontinued operation are based on:

	2024 RMB'000	2023 RMB'000
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**(67,102)**	(224,343)

	Number of shares	
	2024	2023
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation (note 13)	**2,544,744,169**	2,527,114,648

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12. DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends paid during the year:		
Final — HK8.0 cents (2023: HK7.1 cents)* per ordinary share	185,441[(ii)]	165,263[(i)]
Interim — HK15.6 cents (2023: HK13.7 cents)* per ordinary share	361,013[(iii)]	317,608[(ii)]
Special — HK44.7 cents (2023: Nil)* per ordinary share	1,049,112[(iii)]	–
	1,595,566	482,871
Proposed final dividend:		
HK9.5 cents (2023: HK8.0 cents) per ordinary share	243,419	191,960[(ii)]

(i) In respect of the financial year ended 31 December 2022

(ii) In respect of the financial year ended 31 December 2023

(iii) In respect of the financial year ended 31 December 2024

Scrip dividend election was offered to shareholders for final dividends for the years ended 31 December 2022 and 2023 and interim dividends for the years ended 31 December 2023 and 2024 (note 34(i)).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. These financial statements do not reflect it as dividend payable.

* Dividends paid during the years ended 31 December 2024 and 2023 represented the dividends paid for the issued ordinary shares, excluding treasury shares held by the trustee under the share award scheme.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company of RMB1,238,402,000 (2023: RMB1,030,009,000) and the weighted average number of 2,544,744,169 (2023: 2,527,114,648) ordinary shares outstanding during the year as adjusted to reflect the number of treasury shares held under the share award scheme of the Company.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest and other related profit or loss effect on the convertible bonds, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The K-Swiss Convertible Bonds had an anti-dilutive effect on the basic earnings per share amounts presented during the years ended 31 December 2024 and 2023 because the diluted earnings per share increased when K-Swiss Convertible Bonds were taken into considerations.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

The calculation of basic and diluted earnings per share are based on:

Earnings

	2024 RMB'000	2023 RMB'000
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	**1,305,504**	1,254,352
From a discontinued operation	**(67,102)**	(224,343)
Subtotal	**1,238,402**	1,030,009
Interest on Xtep Convertible Bonds	**25,873**	20,670
Less: Fair value gain on 2021 Xtep Convertible Bonds early redemption option	**(3,408)**	(7,169)
Profit attributable to ordinary equity holders of the Company before profit or loss effect on Xtep Convertible Bonds	**1,260,867**	1,043,510
Attributable to:		
From continuing operations	**1,327,969**	1,267,853
From a discontinued operation	**(67,102)**	(224,343)
Total	**1,260,867**	1,043,510

Shares

	Number of shares	
	2024	2023
Weighted average number of ordinary shares as used in the basic earnings per share calculation	**2,544,744,169**	2,527,114,648
Effect of dilution — weighted average number of ordinary shares		
— Share award	**40,030,731**	56,816,084
— Xtep Convertible Bonds	**70,712,428**	52,217,616
Weighted average number of ordinary shares	**2,655,487,328**	2,636,148,348

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Moulds, plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
Cost:							
At beginning of year	**1,538,491**	**201,851**	**151,403**	**71,668**	**281,313**	**112,748**	**2,357,474**
Additions	**1,040**	**95,316**	**40,766**	**1,465**	**34,702**	**143,486**	**316,775**
Acquisition of subsidiaries (note 38)	**-**	**1,080**	**-**	**749**	**12,463**	**-**	**14,292**
Write-off	**(4,674)**	**(6,669)**	**(7,521)**	**(4,392)**	**(14,481)**	**(1,455)**	**(39,192)**
Disposal of subsidiaries (note 39)	**-**	**(111,826)**	**(886)**	**-**	**(20,735)**	**-**	**(133,447)**
Exchange realignment	**1,950**	**174**	**-**	**10**	**120**	**-**	**2,254**
At 31 December 2024	**1,536,807**	**179,926**	**183,762**	**69,500**	**293,382**	**254,779**	**2,518,156**
Accumulated depreciation and impairment:							
At beginning of year	**334,453**	**95,316**	**86,899**	**60,518**	**188,131**	**-**	**765,317**
Depreciation provided during the year	**68,986**	**56,931**	**10,724**	**2,105**	**33,195**	**-**	**171,941**
Acquisition of subsidiaries (note 38)	**-**	**446**	**-**	**15**	**6,316**	**-**	**6,777**
Write-off	**(3,330)**	**(6,614)**	**(6,646)**	**(3,924)**	**(12,543)**	**-**	**(33,057)**
Impairment provided	**-**	**6,609**	**-**	**-**	**-**	**-**	**6,609**
Disposal of subsidiaries (note 39)	**-**	**(57,237)**	**(872)**	**-**	**(11,274)**	**-**	**(69,383)**
Exchange realignment	**622**	**175**	**4**	**6**	**88**	**-**	**895**
At 31 December 2024	**400,731**	**95,626**	**90,109**	**58,720**	**203,913**	**-**	**849,099**
Net carrying amount:							
At 31 December 2024	**1,136,076**	**84,300**	**93,653**	**10,780**	**89,469**	**254,779**	**1,669,057**
31 December 2023							
Cost:							
At beginning of year	1,296,686	130,449	170,414	71,384	286,126	100,319	2,055,378
Additions	165,589	79,350	19,777	2,722	30,619	90,465	388,522
Transfer	74,945	-	-	-	-	(74,945)	-
Write-off	-	(8,209)	(38,804)	(2,445)	(35,753)	(3,091)	(88,302)
Exchange realignment	1,271	261	16	7	321	-	1,876
At 31 December 2023	1,538,491	201,851	151,403	71,668	281,313	112,748	2,357,474
Accumulated depreciation and impairment:							
At beginning of year	264,918	60,114	107,879	61,111	193,836	-	687,858
Depreciation provided during the year	69,215	37,210	10,424	1,663	26,015	-	144,527
Write-off	-	(2,161)	(31,415)	(2,257)	(31,877)	-	(67,710)
Exchange realignment	320	153	11	1	157	-	642
At 31 December 2023	334,453	95,316	86,899	60,518	188,131	-	765,317
Net carrying amount:							
At 31 December 2023	1,204,038	106,535	64,504	11,150	93,182	112,748	1,592,157

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group has not obtained the building ownership certificates for certain buildings with a net carrying amount of approximately RMB3,097,000 at 31 December 2024 (2023: RMB3,834,000).

As at 31 December 2024, certain buildings and respective leasehold land under right-of-use assets was pledged a bank to secure banking facilities granted to the Group (note 28).

15. INVESTMENT PROPERTIES

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**16,646**	25,540
Depreciation provided during the year	**(1,819)**	(2,350)
Disposal during the year	**(5,753)**	(6,544)
Carrying amount at 31 December	**9,074**	16,646

The Group's investment properties are commercial properties situated at certain floors of a building located at No. 168, Tabu East Road, Siming District, Xiamen City, Fujian Province, the PRC. These investment properties are stated at cost less accumulated depreciation and less any impairment losses.

As at 31 December 2024, the fair value of the Group's investment properties was RMB50,300,000 for two properties (2023: RMB78,732,000 for three properties), based on a valuation performed by Knight Frank Petty Limited, a firm of independent and professionally qualified valuers and recent transaction.

The investment properties were valued by the sales comparison approach with reference to comparable market transactions. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors. The fair value of these properties falls into the category of fair value measurements using significant unobservable inputs (Level 3) including adjusted comparable prices in the market.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 51 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 33 and 120 months, while plant generally have lease terms between 5 and 10 years.

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31 December 2024

16. LEASES (Continued)

The Group as a lessee (Continued)

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Plant RMB'000	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 January 2023	6,251	203,426	475,839	685,516
Additions	–	184,997	100,925	285,922
Termination of lease	–	(11,476)	–	(11,476)
Write-back of impairment	–	510	–	510
Release of subsidy (note 33)	–	–	(158)	(158)
Depreciation charge	(4,989)	(125,650)	(11,545)	(142,184)
Exchange realignment	–	(589)	–	(589)
As at 31 December 2023 and 1 January 2024	**1,262**	**251,218**	**565,061**	**817,541**
Additions	**–**	**202,432**	**77,045**	**279,477**
Additions as a result of acquisition of subsidiaries (note 38)	**–**	**1,307**	**–**	**1,307**
Termination of lease	**–**	**(1,720)**	**–**	**(1,720)**
Impairment charge from discontinued operation	**–**	**(22,934)**	**–**	**(22,934)**
Release of subsidy (note 33)	**–**	**–**	**(577)**	**(577)**
Depreciation charge	**(1,262)**	**(159,374)**	**(25,625)**	**(186,261)**
Exchange realignment	**–**	**(2,429)**	**–**	**(2,429)**
Disposal of subsidiaries (note 39)	**–**	**(134,695)**	**–**	**(134,695)**
As at 31 December 2024	**–**	**133,805**	**615,904**	**749,709**

16. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
As at 1 January	278,103	230,093
New leases	202,432	184,997
Addition as a result of acquisition of subsidiaries (note 38)	1,376	–
Disposal of subsidiaries (note 39)	(173,213)	–
Termination of lease	(2,454)	(12,068)
Accretion of interest recognised during the year	12,939	13,065
Payments	(177,327)	(140,489)
Exchange realignment	663	2,505
As at 31 December	142,519	278,103
Analysed into:		
Current portion	77,362	144,359
Non-current portion	65,157	133,744

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

(c) The amounts charged/(credited) in income statement from continuing operations in relation to leases are as follow:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	6,509	5,711
Depreciation charge of right-of-use assets	111,834	121,198
Expenses relating to short-term leases	27,142	13,510
Gain of termination of lease	(734)	(9)
	144,751	140,410

The Group as a lessor

The Group leases its investment properties (note 15) representing commercial properties situated at certain floors of a building located at No. 168, Tabu East Road, Siming District, Xiamen City, Fujian Province, the PRC under operating lease arrangements. Rental income from the continuing operations recognised by the Group during the year was RMB18,615,000 (2023: RMB12,101,000), details of which are included in note 5 to the financial statements.

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16. LEASES (Continued)

The Group as a lessor (Continued)

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2024 RMB'000	2023 RMB'000
Within one year	**5,425**	3,544
After one year but within two years	**5,516**	3,339
After two years but within three years	**3,834**	2,814
Over three years	**417**	6,429
	15,192	16,126

17. GOODWILL

	2024 RMB'000	2023 RMB'000
Cost at 1 January	**842,164**	830,217
Acquisition of subsidiaries (note 38)	**518**	–
Disposal of subsidiaries (note 39)	**(846,989)**	–
Exchange realignment	**8,147**	11,947
Cost at 31 December	**3,840**	842,164
As at 31 December		
Cost	**3,840**	842,164
Accumulated impairment	**–**	–
Net carrying amount	**3,840**	842,164

Impairment testing of goodwill and intangible assets with indefinite useful lives

At 31 December 2023, goodwill and brand names were allocated to the cash-generating unit of K-Swiss Group (the "K-Swiss CGU") for impairment testing.

	2023 RMB'000
Carrying amount of goodwill	838,842
Carrying amount of brand names with indefinite useful lives (note 18)	660,432

At 31 December 2023, the recoverable amount of the K-Swiss CGU had been determined based on fair value less cost of disposal calculation under income approach by using cash flow projections based on financial budgets covering a five-year period approved by management. The financial budget was based on expectations of future outcomes taking into account past experiences, market conditions, adjusted for anticipated revenue growth of compound annual growth rate of 30.0% for the next five years with reference to the sportswear market development. The pre-tax discount rate applied to the cash flow projections was 18.2%. The growth rate used to extrapolate the cash flow of K-Swiss CGU beyond the five-year period was 2% which did not exceed the long-term growth rate for the footwear business in which it operates. The fair value less cost of disposal was categorised under Level 3 of fair value measurement hierarchy.

17. GOODWILL (Continued)

Impairment testing of goodwill and intangible assets with indefinite useful lives (Continued)

No impairment loss was recognised during the year ended 31 December 2023 based on the impairment assessment performed.

If the discount rate rose to 23.8%, the recoverable amount of the CGU would be approximately equal to its carrying amount. Except this, any reasonably possible changes in the other key assumptions used in the value in use calculation would not affect management's view on impairment test result as at 31 December 2023.

18. INTANGIBLE ASSETS

	Brand names RMB'000	Business relationship RMB'000	Patents and trademarks RMB'000	Total RMB'000
31 December 2024				
Cost at 1 January 2024, net of accumulated amortisation	**660,432**	**47,045**	**15,868**	**723,345**
Additions	**–**	**–**	**4,699**	**4,699**
Amortisation provided during the year	**–**	**(11,074)**	**(3,933)**	**(15,007)**
Disposal of subsidiaries (note 39)	**(666,629)**	**(36,368)**	**(112)**	**(703,109)**
Exchange realignment	**6,197**	**397**	**–**	**6,594**
As at 31 December 2024	**–**	**–**	**16,522**	**16,522**
As at 31 December 2024:				
Cost	**–**	**–**	**36,888**	**36,888**
Accumulated amortisation	**–**	**–**	**(20,366)**	**(20,366)**
Net carrying amount	**–**	**–**	**16,522**	**16,522**
31 December 2023				
Cost at 1 January 2023, net of accumulated amortisation	650,865	58,837	13,001	722,703
Additions	–	–	6,274	6,274
Amortisation provided during the year	–	(12,576)	(3,407)	(15,983)
Exchange realignment	9,567	784	–	10,351
As at 31 December 2023	660,432	47,045	15,868	723,345
As at 31 December 2023:				
Cost	660,432	102,853	32,818	796,103
Accumulated amortisation	–	(55,808)	(16,950)	(72,758)
Net carrying amount	660,432	47,045	15,868	723,345

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18. INTANGIBLE ASSETS (Continued)

Brand names acquired in the business combinations were identified and recognised as intangible assets with indefinite useful lives and carried at historical cost without amortisation for the following reasons:

— they were capable of being renewed indefinitely at insignificant cost; and

— there was no foreseeable limit to the period over which the asset is expected to generate net cash inflows based on the brand names widely used by the K-Swiss CGU.

At 31 December 2023, brand names and goodwill had been allocated to the K-Swiss CGU for impairment testing as disclosed in note 17 to the financial statements.

19. INVESTMENTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Share of net assets	**453,310**	494,806

Particulars of associates are as follows:

Name	**Place of incorporation or establishment/ business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
四川省唯品富邦消費金融有限公司	PRC/Mainland China	25.1	Consumer loan service
Gemini Asia Saucony, LLC (note 38)	United States of America	40	Managing intellectual property rights
Ka Te Footwear Material (HK) Limited	Hong Kong	35	Manufacture and trading of footwear

The Group's other receivables and trade and other payables balances with the associates are disclosed in notes 23, 25 and 26 to the financial statements, respectively.

The Group's shareholdings in the associates are held through subsidiaries of the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2024 RMB'000	2023 RMB'000
Share of the associates' profits and total comprehensive income for the year	**33,403**	14,742
Net carrying amount of the Group's investments in associates	**453,310**	494,806

20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 **RMB'000**	2023 RMB'000
At 1 January	**256,565**	248,665
Changes in fair values	**53,244**	7,900
Disposal	**(27,609)**	–
At 31 December	**282,200**	256,565

As at 31 December 2024, the Group held two (2023: three) unlisted investments with fair values of RMB264,400,000 (2023: RMB221,400,000), RMB17,800,000 (2023: RMB15,200,000) and nil (2023: RMB19,965,000), representing 5%, 11% and nil (2023: 5%, 11% and 0.3%) equity interests in three corporate entities, which were established in the PRC on 22 December 2014, 22 October 2012 and 28 August 1998.

The above unlisted equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

During the year ended 31 December 2024, fair value gains of RMB53,244,000 (2023: RMB7,900,000) in respect of the Group's equity investments designated at FVOCI were recognised in the consolidated statement of comprehensive income.

During the year ended 31 December 2024, the Group sold an unlisted equity interest as this investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was RMB27,609,000 and the accumulated gain recognised in other comprehensive income of RMB7,644,000 was transferred to retained profits.

21. INVENTORIES

	2024 **RMB'000**	2023 RMB'000
Raw materials	**69,790**	49,152
Work in progress	**133,497**	133,416
Finished goods	**1,426,215**	1,693,820
	1,629,502	1,876,388
Less: Provision for inventories	**(33,848)**	(82,614)
	1,595,654	1,793,774

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22. TRADE AND BILLS RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
Trade receivables		**5,012,304**	4,938,121
Less: Impairment of trade receivables	(a)	**(415,480)**	(419,720)
	(b)	**4,596,824**	4,518,401
Bills receivable	(c)	**414,500**	457,000

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to four months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a number of diversified customers and there is certain concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes:

(a) The movements in impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At 1 January	**419,720**	404,697
Impairment of trade receivables	**22,249**	22,163
Amounts write-off	**–**	(7,523)
Exchange realignment	**–**	383
Disposal of subsidiaries	**(26,489)**	–
At 31 December	**415,480**	419,720

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type and customer type), adjusted for factors that are specific to debtors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2024

	Expected credit loss rate	Gross carrying amount excluding specific trade receivables RMB'000	Loss allowance excluding specific trade receivables RMB'000	Gross carrying amount of specific trade receivables RMB'000	Loss allowance of specific trade receivables RMB'000	Total loss allowance RMB'000
Current	2.0%	2,771,821	(54,686)	–	–	(54,686)
Less than 3 months past due	3.8%	1,182,084	(45,154)	–	–	(45,154)
Past due over 3 to 6 months	9.5%	400,558	(38,083)	–	–	(38,083)
Past due over 6 to 9 months	18.9%	195,743	(37,010)	–	–	(37,010)
Past due over 9 months	39.6%	366,611	(145,060)	95,487	(95,487)	(240,547)
		4,916,817	(319,993)	95,487	(95,487)	(415,480)

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount excluding specific trade receivables RMB'000	Loss allowance excluding specific trade receivables RMB'000	Gross carrying amount of specific trade receivables RMB'000	Loss allowance of specific trade receivables RMB'000	Total loss allowance RMB'000
Current	2.2%	3,220,165	(71,448)	–	–	(71,448)
Less than 3 months past due	6.1%	1,075,881	(65,192)	–	–	(65,192)
Past due over 3 to 6 months	18.9%	242,692	(45,952)	–	–	(45,952)
Past due over 6 to 9 months	33.7%	122,193	(41,126)	–	–	(41,126)
Past due over 9 months	54.3%	177,621	(96,433)	99,569	(99,569)	(196,002)
		4,838,552	(320,151)	99,569	(99,569)	(419,720)

The impairment included the amount of specific trade receivables which were considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full.

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31 December 2024

22. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(b) An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**2,671,981**	3,213,558
3 to 6 months	**1,144,002**	947,903
6 to 9 months	**559,292**	156,568
Over 9 months	**221,549**	200,372
	4,596,824	4,518,401

(c) The maturity of the Group's bills receivable as at the end of the reporting period is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**50,000**	200,000
3 to 6 months	**364,500**	257,000
	414,500	457,000

23. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSET

	Notes	**2024** **RMB'000**	2023 RMB'000
Prepayments to contracted manufacturers		**154,651**	185,385
Prepayments for acquisition of Merrell Brand and Saucony Brand	38(b)	**–**	99,400
Prepayments for acquisition of non-controlling interests	38(c)	**–**	56,319
Prepayments for capital contribution to an associate		**124,500**	–
Deposits and advance payments to suppliers		**275,630**	344,839
Deposits and advance payments to subcontractors		**306,949**	205,299
Deposit for bank acceptance bill		**10,000**	–
Right-of-return assets		**–**	6,898
Other Asset	(a)	**65,010**	65,010
Other deposits		**35,035**	83,734
Value added tax ("VAT") recoverable		**142,892**	236,381
Other receivables	(b)	**139,987**	66,379
Total		**1,254,654**	1,349,644
Less: Non-current portion deposits and other asset		**(208,308)**	(237,799)
Current portion		**1,046,346**	1,111,845

23. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSET (Continued)

Notes:

(a) On 6 June 2019, the Group entered into an agreement (the "Disposal Agreement") with an independent third party (the "Buyer") to dispose of its entire interests in a wholly-owned subsidiary, which mainly held a parcel of land in Fujian, the PRC. According to the Disposal Agreement, the total consideration would be settled by: (i) a cash consideration of RMB59,665,000; and (ii) certain areas of the building and car parks to be constructed on the land of this disposed subsidiary (the "New Properties"). To the best of the knowledge, information and belief of the Company's directors, having made all reasonable enquiry, the Group does not expect any obstacles to receive the New Properties from the Buyer upon the completion of the construction. The fair value of the New Properties on the disposal date was estimated by management at RMB65,010,000 and was recognised by the Group as the right to receive the New Properties ("Other Asset"). To the best estimation of the directors, the construction of the New Properties is expected to be completed in 2025.

As at 31 December 2024, the recoverable amount of the Other Asset has been determined based on fair value according to the valuation performed by Knight Frank Petty Limited, a firm of independent and professionally qualified valuers and best estimated from management. The valuation was dependent on certain significant inputs including gross unit rate per square meter and a discount rate.

(b) Included in the Group's other receivables are amounts due from the Group's associates of Nil (2023: RMB2,600,000), which are repayable on demand.

These financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2024 and 2023, the loss allowance was assessed to be minimal.

24. TERM DEPOSITS, CASH AND BANK EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Note	2024 RMB'000	2023 RMB'000
Term deposits		**300,000**	300,000
Cash and bank balances		**3,569,454**	4,156,349
Total		**3,869,454**	4,456,349
Less: Pledged deposits for short-term bank loans	28	**(590,260)**	(861,722)
Non-current term deposits		**(300,000)**	(300,000)
Cash and cash equivalents		**2,979,194**	3,294,627

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB3,856,766,000 (2023: RMB4,321,062,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Except for the term deposits of RMB300,000,000 (2023: RMB300,000,000) which are made for 1,080 days and earn interest at a rate of 3.2% per annum, the remaining time deposits are made for one day (2023: one day) depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The bank balances, term deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.

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25. TRADE PAYABLES

An ageing analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 **RMB'000**	2023 RMB'000
Within 3 months	**1,924,253**	2,107,287
3 to 6 months	**80,978**	183,989
Over 6 months	**90,210**	139,225
	2,095,441	2,430,501

Notes:

(a) The trade payables are non-interest-bearing and are normally settled within 60 to 120 days.

(b) Included in trade payables are amounts due to associates of RMB16,281,000 (2023: RMB69,774,000) which were repayable on demand.

26. OTHER PAYABLES AND ACCRUALS

	Notes	**2024** **RMB'000**	2023 RMB'000
Contract liabilities	(a)	**243,849**	179,558
Refund liabilities		**–**	13,419
Other payables	(b)	**494,547**	399,245
VAT payables		**1,968**	16,799
Accruals		**921,454**	1,056,036
		1,661,818	1,665,057

All these balances are non-interest-bearing and other payables have an average term of three months.

Notes:

(a) Contract liabilities represented advances received before delivery of sportswear goods to customers. Revenue that was included in the contract liabilities at the beginning of the reporting period amounting to RMB179,558,000 (2023: RMB157,889,000) was recognised during the year ended 31 December 2024 The increase in contract liabilities in 2024 and 2023 was mainly due to the increase in advances received from customers in relation to the sales order of sportswear goods at the end of the reporting periods.

(b) Included in the other payables at 31 December 2023 were amounts due to associates of RMB3,291,000 which were repayable on demand.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2024 RMB'000	2023 RMB'000
Derivative financial assets/(liabilities):			
— 2021 Xtep Convertible Bonds early redemption options	29(a)	**(72,982)**	(74,805)
— Call option	38(a)	**7,233**	7,078
		(65,749)	(67,727)
Analysed into:			
Current liabilities		**(72,982)**	(74,805)
Current assets		**7,233**	7,078

28. INTEREST-BEARING BANK BORROWINGS

		2024			2023		
	Notes	Effective interest rate per annum	Maturity	RMB'000	Effective interest rate per annum	Maturity	RMB'000
Current:							
Revolving loans	(a)	**2.3%-3.0%**	**2025**	**760,846**	Secured Overnight Financing Rate+1.2%, HIBOR+1.1% to HIBOR+1.2%	2024	903,923
Mortgage loans	(c)	**5 year Loan Prime Rate ("LPR")-0.8%**	**2025**	**20,403**	4.05% to 5 year LPR-0.9%	2024	34,661
Other bank loans	(d)	**1 year LPR-0.95% to 1 year LPR-1.05%**	**2025**	**380,000**	1 year LPR-0.45% to 1 year LPR-0.55%	2024	15,000
				1,161,249			953,584
Non-current:							
Syndicated loans	(b)	**HIBOR+1.45%**	**2027**	**366,607**	HIBOR+1.45%	2027	898,927
Mortgage loans	(c)	**5 year LPR-0.8%**	**2031**	**150,751**	4.05% to 5 year LPR-0.9%	2025 to 2033	292,439
Other bank loans	(d)	**1 year LPR-0.92% to 1 year LPR-1.15%**	**2026 to 2027**	**349,400**	1 year LPR-0.45% to 1 year LPR-1.15%	2025 to 2026	500,000
				866,758			1,691,366
				2,028,007			2,644,950

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28. INTEREST-BEARING BANK BORROWINGS (Continued)

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year and on demand	**1,161,249**	953,584
In the second year	**142,676**	53,808
In the third to fifth years	**669,752**	1,488,310
More than five years	**54,330**	149,248
	2,028,007	2,644,950

Notes:

(a) The revolving loans are supported by:

(i) the pledge of certain Group's bank deposits amounting to RMB590,260,000 (2023: RMB861,722,000) in aggregate; and

(ii) corporate guarantees provided by wholly-owned subsidiaries of the Company to the extent of HK$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,180,650,000 and RMB85,000,000 respectively) (2023: HK$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,070,405,000 and RMB85,000,000 respectively)) at the end of the reporting period.

(b) The syndicated loans are supported by a corporate guarantee provided by certain wholly-owned subsidiaries of the Company, to the extent of HK$1,000,000,000 (equivalent to approximately RMB926,000,000) (2023: HK$1,000,000,000 (equivalent to approximately RMB906,200,000)) as at the end of the reporting period.

(c) The mortgage loans were supported by mortgages over buildings and respective leasehold land under right-of-use assets of the Group with an aggregate carrying amount of RMB387,705,000 (2023: RMB662,826,000).

(d) The other bank loans were supported by corporate guarantees provided by a wholly-owned subsidiary of the Company, to the extent of RMB1,150,000,000 (2023: RMB1,150,000,000) as at the end of the reporting period.

As at 31 December 2024, except for the bank loans amounting to RMB1,661,400,000 which were denominated in RMB (2023: RMB898,725,000 which were denominated in RMB and US$), all bank borrowings were denominated in Hong Kong dollars.

Non-current portion of interest-bearing bank borrowings of RMB716,007,000 is subject to financial covenants, including but not limited to, maintaining requirements on tangible net worth, current ratio, gearing ratio, dividend payout ratio, interest coverage ratio. The covenants are tested annually or semi-annually. The Group considered there is no indication that it will have difficulties in complying with these covenants in coming 12 months.

29. XTEP CONVERTIBLE BONDS

	Notes	2024 RMB'000	2023 RMB'000
2021 Xtep Convertible Bonds	(a)	**450,271**	418,791
2024 Xtep Convertible Bonds	(b)	**406,515**	–
Total Xtep Convertible Bonds		**856,786**	418,791

Notes:

(a) 2021 Xtep Convertible Bonds

Pursuant to a subscription agreement entered into between GSUM IV Holdings Limited (an independent third party, "GSUM IV") and the Company, among others, the Company conditionally agreed to issue, and GSUM IV conditionally agreed to subscribe for the 6-year convertible bonds with interest at 1.8% per annum in an aggregate principal amount of HK$500,000,000 (the "2021 Xtep Convertible Bonds"), which are convertible at the option of the holder into the Company's ordinary shares at any time on or after the date falling on the secondary anniversary up to the close of business on the maturity date, which is the sixth anniversary of the issue date. The interest and the default interest shall be accrued quarterly and payable in kind and accumulated as additional principal amount. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at an amount equal to the principal amount, or such other amount in accordance with the terms of the bond instrument, together with accrued interest and all other amounts accrued or outstanding under the convertible bond which remain unpaid on the maturity date.

The 2021 Xtep Convertible Bonds were issued on 9 September 2021. At 31 December 2024, the principal amount was adjusted to HK$530,052,930 while the conversion price had been adjusted to HK$8.3446 per conversion share.

In connection with the issuance of the 2021 Xtep Convertible Bonds, early redemption options were also given to the bondholder.

Subject to the redemption on a major event or certain events of default under the terms of the 2021 Xtep Convertible Bonds, the bondholder may request the Company to redeem the 2021 Xtep Convertible Bonds at any time on or after the date falling on the secondary anniversary of the issuance date, in whole or in part, the bond at an amount as follows:

(a) at an amount equal to 100% if the redemption date is between the date falling on the issue date and the date before the third anniversary of the issue date, of the principal amount together with accrued interest and all other amounts accrued or outstanding under the bond which remain unpaid on the date fixed for redemption;

(b) at an amount equal to 103% if the redemption date is between the date falling on the third anniversary of the issue date and the date before the fourth anniversary of the issue date, of the principal amount together with accrued interest and all other amounts accrued or outstanding under the bond which remain unpaid on the date fixed for redemption;

(c) at an amount equal to 104% if the redemption date is between the date falling on the fourth anniversary of the issue date and the date before the fifth anniversary of the issue date, of the principal amount together with accrued interest and all other amounts accrued or outstanding under the bond which remain unpaid on the date fixed for redemption;

(d) at an amount equal to 105% if the redemption date is between the date falling on the fifth anniversary of the issue date and the date before the maturity date, of the principal amount together with accrued interest and all other amounts accrued or outstanding under the bond which remain unpaid on the date fixed for redemption.

For details of 2021 Xtep Convertible Bonds, please refer to the Company's announcements dated 15 June 2021, 13 August 2021, 9 September 2021, 30 June 2022 and 31 October 2022, 30 October 2023, 28 June 2024, 30 October 2024 and 6 December 2024.

The component of the 2021 Xtep Convertible Bonds that exhibits characteristics of a liability is recognised as a liability. On issuance of the 2021 Xtep Convertible Bonds, the fair value of the liability component is determined using a market interest rate for a similar loan without derivatives; and this amount is carried as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The liability also included the embedded non-equity derivative features that is the holder's right to receive early redemption of the bonds. The fair value of the early redemption options is determined by an external valuer using Binomial model.

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29. XTEP CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(a) 2021 Xtep Convertible Bonds (Continued)

The movements of the liability component, embedded derivative and equity component of the 2021 Xtep Convertible Bonds are as follows:

	Liability component RMB'000	Embedded derivative RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2023	392,356	80,841	26,460	499,657
Interest expense (note 7)	20,670	–	–	20,670
Fair value gain	–	(7,169)	–	(7,169)
Exchange difference	5,765	1,133	–	6,898
At 31 December 2023 and 1 January 2024	**418,791**	**74,805**	**26,460**	**520,056**
Interest expense (note 7)	**22,009**	**–**	**–**	**22,009**
Fair value gain	**–**	**(3,408)**	**–**	**(3,408)**
Exchange difference	**9,471**	**1,585**	**–**	**11,056**
At 31 December 2024	**450,271**	**72,982**	**26,460**	**549,713**

(b) 2024 Xtep Convertible Bonds

Pursuant to a subscription agreement entered into between GSUM IV Holdings Limited (an independent third party, "GSUM IV") and the Company, among others, the Company conditionally agreed to issue, and GSUM IV conditionally agreed to subscribe for the 6-year convertible bonds with interest at 3.5% per annum in an aggregate principal amount of HK$500,000,000 (the "2024 Xtep Convertible Bonds"), which are convertible at the option of the holder into the Company's ordinary shares at any time on or after the date falling on the secondary anniversary up to the close of business on the maturity date, which is the sixth anniversary of the issue date. The interest and the default interest shall be accrued quarterly and payable in kind and accumulated as additional principal amount, provided that a holder of any 2024 Xtep Convertible Bonds may by notice in writing elect for such payment of interest with respect to such bonds to be made in cash in lieu of payment in kind. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at an amount equal to the principal amount, or such other amount in accordance with the terms of the bond will be redeemed by the Company, together with accrued interest and all other amounts accrued or outstanding under the convertible bond which remain unpaid on the maturity date.

The 2024 Xtep Convertible Bonds were issued on 1 November 2024. At 31 December 2024, the principal amount was HK$500,000,000 while the conversion price was HK$5.5 per conversion share.

In connection with the issuance of the 2024 Xtep Convertible Bonds, early redemption options were also given to the bondholder.

Subject to the redemption on a major event or certain events of default under the terms of the 2024 Xtep Convertible Bonds, the bondholder may request the Company to redeem the 2024 Xtep Convertible Bonds at any time on or after the date falling on the secondary anniversary of the issuance date, in whole or in part, the bond at an amount equal to 100% of the principal amount together with accrued interest and all other amounts accrued or outstanding under the bonds which remain unpaid on the date fixed for redemption.

29. XTEP CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(b) 2024 Xtep Convertible Bonds (Continued)

For details of 2024 Xtep Convertible Bonds, please refer to the Company's announcements dated 9 May 2024, 23 May 2024, 2 August 2024 and 1 November 2024.

The component of the 2024 Xtep Convertible Bonds that exhibits characteristics of a liability is recognised as a liability. On issuance of the 2024 Xtep Convertible Bonds, the fair value of the liability component is determined using a market interest rate for a similar loan without derivatives; and this amount is carried as a financial liability on the amortised cost basis until extinguished on conversion or redemption.

The 2024 Xtep Convertible Bonds issued during the year has been split into the liability component and equity component, and the movements are as follows:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At the issuance date (note 30)	395,812	59,388	455,200
Interest expense (note 7)	3,864	–	3,864
Exchange difference	6,839	–	6,839
At 31 December 2024	406,515	59,388	465,903

30. K-SWISS CONVERTIBLE BONDS

Pursuant to a subscription agreement entered into between GSUM VII and KP Global, among others, KP Global conditionally agreed to issue, and GSUM VII conditionally agreed to subscribe for the convertible bonds in an aggregate principal amount of US$65,000,000 with zero coupon (the "K-Swiss Convertible Bonds"), which were convertible at the option of the holder into KP Global's ordinary shares at any time on or after the issuance date. There was no fixed redemption date. KP Global may, at any time and from time to time, by notice to GSUM VII made an offer to redeem the K-Swiss Convertible Bonds. GSUM VII might accept such offer in whole or in part. KP Global should have the right to call and redeem all the outstanding K-Swiss Convertible Bonds as at the tenth year anniversary of the issue date.

The K-Swiss Convertible Bonds were issued on 9 September 2021. The K-Swiss Convertible Bonds carried the conversion right entitling GSUM VII to subscribe for a total of 15,000 shares of US$1 each in KP Global at a conversion price of US$4,333.33 per share which were subject to changes under different situations pursuant to the subscription agreement. If any of the redemption trigger events as stated in the terms and conditions of the subscription agreement had occurred, GSUM VII at its discretion might at any time thereafter give notice to KP Global that the convertible bonds were, and they should immediately become, due and repayable, at a corresponding redemption price under the terms and conditions of the subscription agreement.

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30. K-SWISS CONVERTIBLE BONDS (Continued)

On 9 May 2024, the Company proposed to swap the K-Swiss Convertible Bonds with the 2024 Xtep Convertible Bonds. On 1 November 2024, the K-Swiss Convertible Bonds was redeemed in full by KP Global at the amount of US$65,000,000 (equivalent to approximately RMB459,920,000) from GSUM VII.

For details of K-Swiss Convertible Bonds, please refer to the Company's announcement dated 15 June 2021, 13 August 2021, 9 September 2021, 9 May 2024, 23 May 2024 and 1 November 2024, and the circular dated 2 August 2024.

Upon initial recognition on issue date, the K-Swiss Convertible Bonds was designated as financial liability at fair value through profit or loss.

The movements of the K-Swiss Convertible Bonds are as follows:

	2024 **RMB'000**	2023 RMB'000
At 1 January	**460,424**	419,537
Fair value loss	**2,539**	34,182
Early redemption*	**(459,920)**	–
Gain on redemption	**(3,879)**	–
Exchange difference	**836**	6,705
At 31 December	**–**	460,424

* During the year ended 31 December 2024, K-Swiss Convertible Bonds were early redeemed by issue of 2024 Xtep Convertible Bonds of RMB455,200,000.

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 **RMB'000**	2023 RMB'000
Financial assets at fair value through profit or loss *KP Convertible Bonds as defined in note 11, at fair value:*		
Carrying amount at 1 January	**–**	–
Subscription during the year (note 39)	**1,032,505**	–
Exchange realignment	**13,606**	–
Carrying amount at 31 December	**1,046,111**	–

KP Convertible Bonds were issued by KP Global on 30 November 2024, which bears interest of 3.5% per annum with maturity date on 29 November 2032. KP Convertible Bonds are convertible at the option of the holder into KP Global's ordinary shares at an initial conversion price of US$5,988.95 per conversion share which were subject to changes in accordance to the terms of the subscription agreement. It was mandatorily classified as financial assets at fair value through profit or loss at their contractual cash flows are not solely payment of principal and interest.

32. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year were as follows:

	Fair value changes on equity investments designated at fair value through other comprehensive income RMB'000	Withholding tax levied on dividend RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
Deferred tax liabilities at 1 January 2023	14,625	139,295	156,110	310,030
Withholding tax paid on repatriation of earnings from PRC subsidiaries	–	(83,810)	–	(83,810)
Deferred tax charged/(credited) to the consolidated income statement during the year	–	16,381	(3,148)	13,233
Deferred tax charged to the fair value reserve during the year	1,185	–	–	1,185
Exchange realignment	–	–	2,240	2,240
Deferred tax liabilities at 31 December 2023 and 1 January 2024	**15,810**	**71,866**	**155,202**	**242,878**
Withholding tax paid on repatriation of earnings from PRC subsidiaries	**–**	**(78,912)**	**–**	**(78,912)**
Deferred tax charged/(credited) to the consolidated income statement during the year	**–**	**160,046**	**(2,768)**	**157,278**
Deferred tax charged to the fair value reserve during the year	**6,840**	**–**	**–**	**6,840**
Disposal of subsidiaries (note 39)	**–**	**–**	**(153,934)**	**(153,934)**
Exchange realignment	**–**	**–**	**1,500**	**1,500**
Deferred tax liabilities at 31 December 2024	**22,650**	**153,000**	**–**	**175,650**

The Group has tax losses arising in Hong Kong of RMB100,555,000 (2023: RMB273,636,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in Mainland China of RMB244,404,000 (2023: RMB389,855,000) that will expire in one to five years for offsetting against future taxable profits.

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32. DEFERRED TAX LIABILITIES (Continued)

Deferred tax assets are recognised for the tax losses carried forward to the extent that realisation of the related tax benefits through taxable profit is probable. The Group did not recognise deferred tax assets in respect of these losses.

Pursuant to the income tax law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings accrued after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate for the withholding tax is 5%. In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, the directors have made an assessment based on factors which included the dividend policy and the level of capital and working capital required for the Group's operations in the foreseeable future.

In the opinion of the directors, it is not probable that those subsidiaries will distribute all earnings after 31 December 2007 in the foreseeable future. The aggregate withholding tax amount arising from temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB154,007,000 as at 31 December 2024 (2023: RMB247,344,000).

The Company has no significant unprovided deferred tax in respect of the reporting period and at the end of the reporting period. There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

33. DEFERRED SUBSIDIES

	2024 **RMB'000**	2023 RMB'000
Carrying amount at 1 January	**19,760**	19,918
Released to/resumed as prepaid land lease payments (note 16)	**(577)**	(158)
Carrying amount at 31 December	**19,183**	19,760
Current portion	**(577)**	(577)
Non-current portion	**18,606**	19,183

A subsidy of RMB22,805,000 was received by the Group in 2018 from the local government for the acquisition of a parcel of land in Jinjiang, Fujian, the PRC. The deferred subsidy is offset with prepaid land lease payments over the life of the land use rights of this parcel of land.

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34. SHARE CAPITAL

At 31 December 2024

	HK$'000	RMB'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	**1,000,000**	**935,629**
Issued and fully paid:		
2,683,650,072 ordinary shares of HK$0.01 each	**26,837**	**23,575**

At 31 December 2023

	HK$'000	RMB'000
Authorised:		
100,000,000,000 ordinary shares of HK$0.01 each	1,000,000	935,629
Issued and fully paid:		
2,641,457,207 ordinary shares of HK$0.01 each	26,415	23,191

The following changes in the Company's share capital took place during the current and last years:

	Notes	**Number of ordinary shares of** HK$0.01 each	**Share capital** HK$'000	**Share capital** RMB'000
1 January 2023		2,636,716,923	26,367	23,147
Shares issued in lieu of cash dividend	(i)	4,740,284	48	44
At 31 December 2023 and 1 January 2024		**2,641,457,207**	**26,415**	**23,191**
Shares issued in lieu of cash dividend	(i)	**42,192,865**	**422**	**384**
At 31 December 2024		**2,683,650,072**	**26,837**	**23,575**

Notes:

(i) On 18 March 2024, the board of directors declared a final dividend of HK8.0 cents (equivalent to approximately RMB7.3 cents) (year ended 31 December 2022: HK7.1 cents (equivalent to approximately RMB6.2 cents)) per ordinary share for the year ended 31 December 2023. The shareholders were provided with an option to receive the final dividend in form of scrip dividend. The proposed final dividend was approved by shareholders during the annual general meeting held on 3 May 2024. On 28 June 2024, 3,060,718 (year ended 31 December 2023: 1,775,228) shares were issued at HK$5.477 (year ended 31 December 2023: HK$8.307) per Share in respect of the final dividend for the year ended 31 December 2023.

On 20 August 2024, the board of directors declared an interim dividend of HK15.6 cents (equivalent to approximately RMB14.2 cents) (year ended 31 December 2023: HK13.7 cents (equivalent to approximately RMB12.6 cents)) per ordinary share for the year ended 31 December 2024. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 30 October 2024, 39,132,147 (year ended 31 December 2023: 2,965,056) shares were issued at HK$4.457 (year ended 31 December 2023: HK$7.833) per Share in respect of the interim dividend for the year ended 31 December 2024.

An amount of HK$51,000 (equivalent to approximately RMB47,000) (2023: RMB26,000) and an amount of HK$24,081,000 (equivalent to approximately RMB22,076,000) (2023: RMB20,718,000) were transferred from the share capital and share premium reserve to treasury share reserve upon the issuance of scrip shares.

(ii) Subsequent to end of reporting period, on 20 February 2025, 90,909,000 ordinary shares were allotted and issued at HK$5.50 per Share for a total cash consideration, before expenses, of approximately HK$500,000,000 (RMB460,400,000) for (i) further develop the direct-to-consumer business model for Xtep and Saucony brand; (ii) further enhance Saucony's branding initiatives and product offerings; and (iii) working capital to support general corporate purposes.

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35. TREASURY SHARES AND RESERVES

(a) Treasury shares

Treasury shares reacquired and held by the Company are recognised directly in equity at cost. During the year ended 31 December 2024, 5,075,937 (2023: 2,829,340) treasury shares amounting to RMB22,123,000 (2023: RMB20,744,000) in form of scrip dividend were received by the Company. As at 31 December 2024, the Group had 106,353,859 (2023: 110,874,722) treasury shares out of which 43,695,000 (2023: 66,324,000) treasury shares were granted to certain participants of the Share Award Scheme as Awarded Shares but remained unvested. Movements in the number of Awarded Shares are disclosed in note 36 to the financial statements. Treasury shares reserve represented the acquisition cost of treasury shares less accumulated expense of unvested share awards.

(b) Reserves

The amounts of the Group's reserves and movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(i) Capital reserve

The capital reserve represents the excess of the nominal value of the paid-in capital of the subsidiaries acquired pursuant to the group reorganisation prior to the listing of the Company's shares over the consideration paid for acquiring these subsidiaries.

(ii) Statutory surplus fund

In accordance with the relevant regulations applicable in the PRC, subsidiaries established in the PRC are required to transfer a certain percentage of their statutory annual profits after tax (after offsetting any prior year's losses), if any, to the statutory surplus fund until the balance of the fund reaches 50% of their respective registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory surplus fund may be used to offset against accumulated losses of the respective PRC subsidiaries. The amount of the transfer is subject to the approval of the board of directors of the respective PRC subsidiaries.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC, which is dealt with in accordance with the accounting policy set out in note 2.4 to the financial statements.

(iv) Fair value reserve

The fair value reserve represents the subsequent changes in fair value of the equity investments designated at fair value through other comprehensive income since their initial measurement. With the exception of dividends received, the associated gains and losses are recognised in the fair value reserve. Amounts presented in the fair value reserve are transferred to retained profits upon derecognition of the financial assets.

(v) Share award reserve

The share award reserve represents the remaining differences between the cost of repurchase of shares and fair value of awarded shares granted on 10 January 2017.

36. SHARE AWARD SCHEME

On 1 August 2014, the board of directors of the Company (the "Board") has adopted a share award scheme as a mean to recognise the contributions by the key management personnel and to give incentives in order to retain them for their continual operation and development and to attract suitable personnel for further development of the Group (the "Share Award Scheme").

The Share Award Scheme was effective for a period of 10 years from 1 August 2014 (the "Adoption Date") and has expired on 1 August 2024.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share award. The Group accounts for the Share Award Scheme as an equity-settled plan.

At 31 December 2024, details of outstanding Awarded Shares under the Share Award Scheme are as follows:

Grant date	Number of Awarded Shares to vest	Vesting period	Fair value at grant date
			HK$ per Share
19 March 2021	11,652,000	19 March 2021 to 31 March 2025	3.39
19 March 2021	11,652,000	19 March 2021 to 31 March 2026	3.23
19 March 2021	20,391,000	19 March 2021 to 31 March 2027	3.06

The Group measured the fair value of the Awarded Shares at grant date during the year ended 31 December 2021 with reference to the binomial model carried out by an independent professional valuer with input of Share's spot price of HK$4 per Share, dividend yield of 4%, expected volatility of 42.6% to 51.8%. The market price of the Share of the Company at grant date during the year ended 31 December 2021 is HK$4.

Movements in the number of Awarded Shares were as follows:

	Number of Awarded Shares	
	2024	2023
Outstanding at 1 January	**66,324,000**	75,280,000
Awarded Shares vested	**(9,596,800)**	(8,956,000)
Awarded Shares forfeited	**(13,032,200)**	–
Outstanding at 31 December	**43,695,000**	66,324,000

During the year ended 31 December 2024, net share award scheme expense of RMB6,636,000 (2023: RMB47,149,000) was charged to the consolidated income statement and an amount of HK$4,319,000 (equivalent to approximately RMB3,915,000) (2023: HK$2,660,000 (equivalent to approximately RMB2,455,000)) was transferred from share award reserve to retained profits in respect of vesting of 9,596,800 (2023: 8,956,000) Awarded Shares. The weight average closing price of Awarded Share immediately before the date on which the Awarded Shares were vested was HK$4.85 (2023: HK$9.81).

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37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions:

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB202,432,000 (2023: RMB184,997,000) and RMB202,432,000 (2023: RMB184,997,000), respectively, in respect of lease arrangements for plant and buildings.

(b) Changes in liabilities arising from financing activities

2024

	Bank borrowings RMB'000	**Lease liabilities RMB'000**
At 1 January 2024	**2,644,950**	**278,103**
Changes from financing cash flows	**(651,320)**	**(177,327)**
Amortisation of bank charges on syndicated loans	**5,253**	**–**
Termination of leases	**–**	**(2,454)**
Addition as a result of acquisition of subsidiaries	**–**	**1,376**
New leases	**–**	**202,432**
Disposal of subsidiaries	**–**	**(173,213)**
Interest expenses	**–**	**12,939**
Foreign exchange movement	**29,124**	**663**
At 31 December 2024	**2,028,007**	**142,519**

2023

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2023	2,423,864	230,093
Changes from financing cash flows	188,885	(140,489)
Amortisation of bank charges on syndicated loans	2,362	–
Termination of leases	–	(12,068)
New leases	–	184,997
Interest expenses	–	13,065
Foreign exchange movement	29,839	2,505
At 31 December 2023	2,644,950	278,103

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**33,651**	39,445
Within financing activities	**177,327**	140,489
	210,978	179,934

38. ACQUISITION OF INTEREST IN GEMINI ASIA SAICONY, LLC AND THE MERRELL AND SAUCONY GROUP

On 17 December 2023, the Group entered into agreements with Wolverine World Wide, Inc. ("Wolverine") and certain of its subsidiaries, pursuant to which,

(a) Acquisition of an interest in Saucony Asia IP Holdco and formation of a new joint venture

The Group acquired 40% of ownership interest in Gemini Asia Saucony, LLC , a limited liability company incorporated under the laws of the State of Delaware of the United States of America which has been established for the purpose of holding, licensing and managing the intellectual property rights associated with the Saucony brand in the Mainland China, Hong Kong and Macau at a cash consideration of US$38,000,000 (equivalent to RMB268,970,000). A joint venture agreement was entered into in relation to the management and operation of Saucony Asia IP Holdco. The Group acquired the options to, in the event of global sale of the intellectual property of the Saucony brand or a change in control of Wolverine, purchase a further 35% or 60% ownership interest in Saucony Asia IP Holdco at a consideration of US$1,000,000 (equivalent to RMB7,078,000). These acquisitions were completed during the year ended 31 December 2023.

(b) Acquisition of 51% equity interests in Merrell Brand and Saucony Brand and their subsidiaries

The Group acquired remaining 51% equity interests in Merrell Brand and Saucony Brand at cash consideration of US$3,000,000 (equivalent to RMB21,300,000) and US$11,000,000 (equivalent to RMB78,100,000), respectively. As a result, the aforesaid associates have become wholly-owned subsidiaries of the Group. The acquisition was completed on 1 January 2024. The considerations of RMB99,400,000 in aggregate were paid during the year ended 31 December 2023.

The fair value of the identifiable assets and liabilities of Merrell Brand and its subsidiaries at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment (note 14)	30
Right-of-use assets (note 16)	595
Inventories	44,401
Prepayments, deposits and other receivables	21,750
Cash and cash equivalents	9,512
Trade payables	(30,678)
Lease liabilities (note 16)	(626)
Other payables and accruals	(4,235)
Total identifiable net assets	40,749
Less: Fair value of 49% equity interest in Merrell Brand before the acquisition	(19,967)
Goodwill (note 17)	518
Cash consideration	21,300

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38. ACQUISITION OF INTEREST IN GEMINI ASIA SAICONY, LLC AND THE MERRELL AND SAUCONY GROUP (Continued)

(b) Acquisition of 51% equity interests in Merrell Brand and Saucony Brand and their subsidiaries (Continued)

The fair value of the identifiable assets and liabilities of Saucony Brand and its subsidiaries at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment (note 14)	7,485
Right-of-use assets (note 16)	712
Inventories	156,065
Prepayments, deposits and other receivables	51,535
Cash and cash equivalents	75,035
Trade payables	(80,560)
Lease liabilities (note 16)	(750)
Other payables and accruals	(46,634)
Total identifiable net assets	162,888
Less: Fair value of 49% equity interest in Saucony Brand before the acquisition	(79,815)
Bargain purchase gain on acquisition	(4,973)
Cash consideration	78,100

Net cash outflows arising on acquisition of Merrell Brand and Saucony Brand:

	RMB'000
Cash consideration paid during the year ended 31 December 2023	99,400
Add: Transaction costs	2,058
Less: Cash and cash equivalents	(84,547)
Total net cash outflow	16,911

The fair values of the other receivables of Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries as at the date of acquisition amounted to RMB17,258,000 and RMB36,794,000, respectively.

The Group incurred transaction costs of RMB2,058,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries contributed net profits of RMB11,866,000 and RMB22,079,000, respectively, to the consolidated profit for the year ended 31 December 2024. Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries contributed RMB292,000 and RMB2,906,000 to the Group's revenue for the year ended 31 December 2024.

38. ACQUISITION OF INTEREST IN GEMINI ASIA SAICONY, LLC AND THE MERRELL AND SAUCONY GROUP (Continued)

(c) Acquisition of 49% equity interests in Merrell Distribution and Saucony Distribution and their subsidiaries

The Group acquired 49% equity interests in Merrell Distribution and Saucony Distribution at cash consideration of US$2,000,000 (equivalent to RMB14,080,000) and US$6,000,000 (equivalent to RMB42,239,000), respectively. As a result, the aforesaid subsidiaries became wholly owned subsidiaries of the Group. The acquisition was completed on 1 January 2024. The considerations of RMB56,319,000 in aggregate were paid during the year ended 31 December 2023.

39. DISPOSAL OF SUBSIDIARIES

As disclosed in note 11 to the consolidated financial statements, KP Global Group was disposed of to Ding Shun Investment Limited on 30 November 2024, details of the assets and liabilities of KP Global and its subsidiaries as below:

	Notes	2024 RMB'000
Net assets disposed of:		
Property, plant and equipment	14	**64,064**
Right of use assets	16(a)	**134,695**
Intangibles assets	18	**703,109**
Goodwill	17	**846,989**
Inventories		**508,221**
Cash and bank balances		**318,820**
Trade receivables		**220,973**
Prepayments and other receivables		**178,210**
Derivative financial asset		**13**
Trade payable		**(281,172)**
Other payable and accruals		**(207,421)**
Lease liabilities	16(b)	**(173,213)**
Other payable		**(2,938)**
Deferred tax liabilities	32	**(153,934)**
Subtotal		**2,156,416**
Release of exchange fluctuation reserve		**(133,237)**
Gain on disposal of subsidiaries	11	**83,490**
Total consideration		**2,106,669**
Satisfied by:		
Cash		**1,074,164**
KP Convertible Bonds as defined in note 11		**1,032,505**
Total		**2,106,669**

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39. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2024 RMB'000
Cash consideration	1,074,164
Cash and bank balances disposed of	(318,820)
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	755,344

40. CONTINGENT LIABILITIES

Other than the corporate guarantee detailed in note 42 to the financial statements, at the end of the reporting period, the Group had no significant contingent liabilities (2023: Nil).

41. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2024 RMB'000	2023 RMB'000
In respect of:		
— construction of new buildings	387,772	476,668
— construction of new manufacturing facilities	359	477
— advertising and promotional expenses	356,539	104,902
— capital contribution of an associate	23,903	49,534
	768,573	631,581

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(i) The Group entered into several lease agreements with Hu Du Century (Xiamen) Investment Management Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of Wan Xing. The lease arrangements were accounted for under HKFRS 16 *Leases*.

The associated transactions and balances are disclosed below:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Lease payment	**11,184**	11,398
Expenses relating to short-term leases	**1,363**	–
Depreciation of right-of-use assets	**10,145**	10,524
Interest expense on lease liabilities	**369**	776

	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Right-of-use assets	**917**	11,856
Lease liabilities	**1,013**	12,695

These lease arrangements also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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42. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

(ii) The Group entered into the transition services agreement on 30 November 2024 with KP Global:

The associated transactions and balances are disclosed below:

	Year ended 31 December 2024 RMB'000	Year ended 31 December 2023 RMB'000
Office leasing and licensing income	**429**	–
Sharing of administrative services income	**750**	–
Guarantee fee income*	**11**	–
Warehouse and logistics services income*	**407**	–

* The guarantee fee income and warehouse and logistic services income also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Company has provided corporate guarantee to a bank for a bank facility amounting to US$4,450,000 (approximately RMB31,991,000) to a wholly-owned subsidiary of KP Global, of which RMB26,959,000 had been utilised during the year ended 31 December 2024.

(iii) During the year ended 31 December 2024, royalty expense amounting to RMB82,196,000 (2023: Nil) was payable by the Group to an associate of the Group according to the product cost at 19% of mutually agreed terms.

(iv) During the year ended 31 December 2023, purchases of finished goods amounting to RMB488,334,000 were made by the Group from associates of the Group according to the published prices and conditions offered by the associates to their major customers.

These transactions were entered into by the Group and its related companies in accordance with the terms of the respective agreements.

(b) Outstanding balances with related parties:

Details of the Group's other receivables and trade and other payables balances with the associates are disclosed in notes 23, 25 and 26 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group, including directors' remuneration as detailed in note 8 to the financial statements, is as follows:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**11,556**	11,544
Post-employment benefits	**103**	139
Total compensation paid to key management personnel	**11,659**	11,683

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2024 RMB'000	2023 RMB'000
Financial assets at FVOCI:		
Equity investments designated at FVOCI	**282,200**	256,565
Bills receivable	**414,500**	457,000
	696,700	713,565
Financial assets at FVPL, mandatorily designated as such:		
Financial assets at FVPL	**1,046,111**	–
Derivative financial instruments	**7,233**	7,078
	1,053,344	7,078
Financial assets at amortised cost:		
Trade receivables	**4,596,824**	4,518,401
Other receivables	**97,463**	66,379
Pledged bank deposits	**590,260**	861,722
Term deposits	**300,000**	300,000
Cash and cash equivalents	**2,979,194**	3,294,627
	8,563,741	9,041,129
Total	**10,313,785**	9,761,772

Financial liabilities

	2024 RMB'000	2023 RMB'000
Financial liabilities at amortised cost:		
Trade payables	**2,095,441**	2,430,501
Bills payable	**100,000**	100,000
Financial liabilities included in other payables and accruals	**768,302**	747,767
Interest-bearing bank borrowings	**2,028,007**	2,644,950
Xtep Convertible Bonds	**856,786**	418,791
	5,848,536	6,342,009
Financial liabilities at FVPL:		
Derivative financial instruments, held for trading	**72,982**	74,805
K-Swiss Convertible Bonds designated as such upon initial recognition	**–**	460,424
	72,982	535,229
Total	**5,921,518**	6,877,238

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44. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 31 December 2024, the Group discounted certain commercial bills receivable with a carrying amount in aggregate of approximately RMB779,000,000 (2023: RMB914,000,000) to a bank in the PRC (the "Derecognised Bills") for cash. The Derecognised Bills had a remaining maturity from 20 days to 180 days (2023: 12 days to 158 days) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank and/or the issuers of bills receivable default (the "Continuing Involvement"). According to the bank discounting agreement, the bank has waived the right of recourse against the Group and such that Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, the Group has derecognised the full carrying amounts of the Derecognised Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair value of the Group's Continuing Involvement in the Derecognised Bills is not significant.

During the year ended 31 December 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2023: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The amount of bills receivable of RMB1,935,500,000 (2023: RMB1,314,000,000) has been discounted during the year ended 31 December 2024.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, term deposits, trade and bills receivables, trade and bills payables, financial assets included in other receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings and Xtep Convertible Bonds approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of non-current portion of interest-bearing bank borrowings and Xtep Convertible Bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2024 were assessed to be insignificant. The fair values of non-current portion of interest-bearing bank borrowings and Xtep Convertible Bonds approximate to their carrying amounts as at the end of the reporting period.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following method and assumptions were used to estimate the fair values:

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The fair value of bills receivable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The key observable inputs in the valuation are time to expiration and risk free rate. The fair values of bills receivable approximate to their carrying amounts as at the end of the reporting period.

The fair value of 2021 Xtep Convertible Bonds early redemption options, K-Swiss Convertible Bonds and KP Convertible Bonds have been estimated using Binomial models of which key observable inputs is risk free rate. The valuation required the directors to determine the equity value based on discounted cash flow and the discount rate. The fair value of the call option is based on the recent transaction price.

The fair value of the unlisted equity investments designated at fair value through other comprehensive income have been estimated using the quoted price of the latest transactions or a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry and geography, and to calculate an appropriate price multiple, such as price to net book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the net book value per share of the comparable company by the market price per share. The trading multiple is then discounted for considerations such as marketability between the comparable companies based on company-specific facts and circumstances.

The discounted multiple is applied to the corresponding P/B multiple of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Below is a summary of significant unobservable inputs to the valuation of the unlisted equity instruments, K-Swiss Convertible Bonds, KP Convertible Bonds and 2021 Xtep Convertible Bonds early redemption options together with a quantitative sensitivity analysis as at 31 December 2024 and 2023:

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Description	Valuation technique	Unobservable inputs	Range/ weighted average of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	Market multiples	P/B multiple of peers	0.16x to 1.68x (2023: 0.19x to 1.25x)	5% (2023: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB14.1 million (2023: RMB11.8 million)
		Discount for lack of marketability ("DLOM")	20% (2023: 20%)	2.5% (2023: 2.5%) increase/decrease in DLOM would result in decrease/increase in fair value by RMB8.8 million (2023: RMB7.4 million)
K-Swiss Convertible Bonds	Binomial model	Weighted average cost of capital	2023: 14.5%	0.5% increase/decrease in multiple would result in decrease in fair value by RMB14.9 million/increase in fair value by RMB21.4 million in 2023
		Volatility	2023: 41.5%	0.5% increase/decrease in multiple would result in increase/decrease in fair value by RMB0.8 million in 2023
		Discount rate	2023: 11.8%	0.5% increase/decrease in multiple would result in decrease in fair value by RMB4.8 million/increase in fair value by RMB5.2 million in 2023
KP Convertible Bonds	Binomial model	Weighted average cost of capital	13.7%	0.5% increase/decrease in multiple would result in decrease in fair value by RMB17.3 million/increase in fair value by RMB19.8 million (2023: Nil)
		Volatility	42.1%	0.5% increase/decrease in multiple would result in decrease in fair value by RMB2.7 million/increase in fair value by RMB1.9 million (2023: Nil)
		Discount rate	7.8%	0.5% increase/decrease in multiple would result in decrease in fair value by RMB17.9 million/increase in fair value by RMB18.0 million (2023: Nil)
2021 Xtep Convertible Bonds early redemption option	Binomial model	Discount rate	5.9% (2023: 6.6%)	0.5% increase/decrease in multiple would result in increase in fair value by RMB5.7 million (2023: RMB7.0 million)/decrease in fair value by RMB5.7 million (2023: RMB6.5 million)

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	7,233	–	7,233
Financial assets at FVPL	–	–	1,046,111	1,046,111
Equity investments designated at FVOCI	–	–	282,200	282,200
Bills receivable	–	414,500	–	414,500
	–	421,733	1,328,311	1,750,044

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	7,078	–	7,078
Equity investments designated at FVOCI	–	–	256,565	256,565
Bills receivable	–	457,000	–	457,000
	–	464,078	256,565	720,643

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Liabilities measured fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**–**	**72,982**	**72,982**

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments	–	–	74,805	74,805
K-Swiss Convertible Bonds	–	–	460,424	460,424
	–	–	535,229	535,229

During the year ended 31 December 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at FVPL, equity investments designated at FVOCI, interest-bearing bank borrowings and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various financial assets and liabilities such as trade and bills receivables, other receivables, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, interest rate risk, liquidity risk and commodity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group mainly operates in Mainland China with most of the transactions settled in RMB. Most of the Group's financial instruments such as trade and bills receivables and cash and bank balances are denominated in the same currency or a currency that is pegged to the functional currency of the operations to which the transactions relate. In addition, the Group has currency exposures from its interest-bearing bank borrowings.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and at the end of each reporting period, the Group reviews the recoverable amount of each individual trade debt to ensure that adequate impairment losses are made.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk.

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	**Stage 2** RMB'000	**Stage 3** RMB'000	**Simplified approach** RMB'000	RMB'000
31 December 2024					
Trade receivables*	**–**	**–**	**–**	**5,012,304**	**5,012,304**
Other receivables**	**97,463**	**–**	**–**	**–**	**97,463**
Term deposits**	**300,000**	**–**	**–**	**–**	**300,000**
Pledged bank deposits**	**590,260**	**–**	**–**	**–**	**590,260**
Cash and cash equivalents**	**2,979,194**	**–**	**–**	**–**	**2,979,194**
Guarantees given to a bank in connection with a bank facility to a related party***					
— Facility not yet drawn by a related party	**5,032**	**–**	**–**	**–**	**5,032**
— Facility drawn by a related party					
— Not yet past due	**26,959**	**–**	**–**	**–**	**26,959**
Total	**3,998,908**	**–**	**–**	**5,012,304**	**9,011,212**
31 December 2023					
Trade receivables*	–	–	–	4,938,121	4,938,121
Other receivables**	66,379	–	–	–	66,379
Term deposits**	300,000	–	–	–	300,000
Pledged bank deposits**	861,722	–	–	–	861,722
Cash and cash equivalents**	3,294,627	–	–	–	3,294,627
Total	4,522,728	–	–	4,938,121	9,460,849

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The expected credit losses of the financial assets included in other receivables, term deposits, pledged bank deposits and cash and cash equivalents are considered to be minimal because the balances are not yet past due.

*** During the year, there were no transfers between stages (2023: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2024		
Hong Kong dollar	**100**	**(3,666)**
Hong Kong dollar	**(100)**	**3,666**
RMB	**100**	**(9,916)**
RMB	**(100)**	**9,916**
2023		
Hong Kong dollar	100	(18,029)
Hong Kong dollar	(100)	18,029
RMB	100	(8,421)
RMB	(100)	8,421

Liquidity risk

The Group monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank borrowings and other borrowings to meet its working capital requirements.

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46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The tables below summarise the maturity profile of the financial liabilities of the Group as at the end of the reporting period, based on the contractual undiscounted payments:

	2024		
	On demand and within 1 year RMB'000	**Over 1 year RMB'000**	**Total RMB'000**
Trade payables	**2,095,441**	**–**	**2,095,441**
Bills payable	**100,000**	**–**	**100,000**
Lease liabilities	**83,348**	**66,235**	**149,583**
Financial liabilities included in other payables and accruals	**768,302**	**–**	**768,302**
Interest-bearing bank borrowings	**1,203,894**	**1,600,186**	**2,804,080**
Xtep Convertible Bonds	**–**	**1,042,753**	**1,042,753**
Guarantee given to a bank in connection with a bank facility to a related party	**26,959**	**–**	**26,959**
	4,277,944	**2,709,174**	**6,987,118**

	2023		
	On demand and within 1 year RMB'000 (Restated)	Over 1 year RMB'000 (Restated)	Total RMB'000
Trade payables	2,430,501	–	2,430,501
Bills payable	100,000	–	100,000
Lease liabilities	151,130	144,060	295,190
Financial liabilities included in other payables and accruals	747,767	–	747,767
Interest-bearing bank borrowings	1,038,325	1,913,192	2,951,517
Xtep Convertible Bonds	491,840	–	491,840
K-Swiss Convertible Bonds	460,424	–	460,424
	5,419,987	2,057,252	7,477,239

Commodity price risk

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

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value. The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The Group monitors capital on the basis of the net cash-to-equity ratio, which is calculated as the net cash divided by total equity. The net cash-to-equity ratios as at the end of the reporting periods were as follows:

	2024 **RMB'000**	2023 RMB'000
Cash and cash equivalents	**2,979,194**	3,294,627
Term deposits	**300,000**	300,000
Pledged bank deposits	**590,260**	861,722
Less: Interest-bearing bank borrowings	**(2,028,007)**	(2,644,950)
Xtep Convertible Bonds	**(856,786)**	(418,791)
K-Swiss Convertible Bonds	**–**	(460,424)
Net cash	**984,661**	932,184
Total equity	**8,702,568**	8,923,286
Net cash-to-equity ratio	**0.113**	0.104

47. EVENTS AFTER THE REPORTING PERIOD

(a) On 10 February 2025, the Company announced the proposed issue of HK$500,000,000 1.5% convertible bonds due 2026 with an initial conversion price of HK$6.325. The convertible bonds was issued on 20 February 2025 and listed on the Vienna Stock Exchange.

(b) On 10 February 2025, the Company has announced the proposed placing of existing shares and top-up subscription for an aggregate of 90,909,000 shares with the placing price of HK$5.50 per share. The top-up subscription was completed on 20 February 2025, and a total of 90,909,000 new subscription shares were allotted and issued to Group Success Investments Limited, a company wholly owned by Wan Xing defined in note 1, at the subscription price of HK$5.50 per share.

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48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2024 RMB'000	31 December 2023 RMB'000 (restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**1,697,703**	3,705,251
Financial assets at fair value through profit or loss	**1,046,111**	–
Total non-current assets	**2,743,814**	3,705,251
CURRENT ASSETS		
Due from subsidiaries	**1,530,481**	843,615
Prepayments	**44,684**	5,879
Cash and cash equivalents	**22,010**	8,626
Total current assets	**1,597,175**	858,120
CURRENT LIABILITIES		
Due to subsidiaries	**108,353**	100,082
Other payables and accruals	**51,625**	53,190
Interest-bearing bank borrowings	**760,847**	903,922
Derivative financial instruments	**72,982**	74,805
Total current liabilities	**993,807**	1,131,999
NET CURRENT ASSETS/(LIABILITIES)	**603,368**	(273,879)
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,347,182**	3,431,372
NON-CURRENT LIABILITIES		
Xtep Convertible Bonds	**856,786**	418,791
Interest-bearing bank borrowings	**366,607**	898,927
Total non-current liabilities	**1,223,393**	1,317,718
NET ASSETS	**2,123,789**	2,113,654
EQUITY		
Share capital	**23,548**	23,164
Treasury shares	**(294,563)**	(282,991)
Equity component of convertible bonds	**85,848**	26,460
Reserves (note)	**2,308,956**	2,347,021
Total equity	**2,123,789**	2,113,654

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Capital reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits/ (accumulated loss) RMB'000	Total RMB'000
At 1 January 2023	2,016,158	15	38	(35,711)	(230,184)	1,750,316
Profit for the year	–	–	–	–	1,013,533*	1,013,533
Other comprehensive income:						
Exchange realignment	–	–	–	32,306	–	32,306
Total comprehensive income for the year	–	–	–	32,306	1,013,533*	1,045,839
Awarded shares vested	–	–	(38)	–	(2,455)	(2,493)
2022 final dividend declared and paid	–	–	–	–	(165,263)	(165,263)
2023 interim dividend declared and paid	–	–	–	–	(317,608)	(317,608)
Shares issued in lieu of cash dividend	34,818	–	–	–	–	34,818
Dividends for treasury shares	–	–	–	–	1,412	1,412
At 31 December 2023 and 1 January 2024	**2,050,976**	**15**	**–**	**(3,405)**	**299,435**	**2,347,021**
Profit for the year	**–**	**–**	**–**	**–**	**1,330,165***	**1,330,165**
Other comprehensive income:						
Exchange realignment	**–**	**–**	**–**	**57,550**	**–**	**57,550**
Total comprehensive income for the year	**–**	**–**	**–**	**57,550**	**1,330,165***	**1,387,715**
Awarded shares vested	**–**	**–**	**–**	**–**	**(3,915)**	**(3,915)**
2023 final dividend declared and paid	**–**	**–**	**–**	**–**	**(185,441)**	**(185,441)**
2024 interim dividend declared and paid	**–**	**–**	**–**	**–**	**(361,013)**	**(361,013)**
2024 special dividend declared and paid	**–**	**–**	**–**	**–**	**(1,049,112)**	**(1,049,112)**
Shares issued in lieu of cash dividend	**173,701**	**–**	**–**	**–**	**–**	**173,701**
At 31 December 2024	**2,224,677**	**15**	**–**	**54,145**	**30,119**	**2,308,956**

* The balance as at 31 December 2024 included a dividend from a subsidiary of RMB2,316,032,000 (2023: RMB1,208,827,000).

Any excess of the appropriation over the retained profits of the Company will be replenished by dividends declared by its subsidiaries to the Company when they are approved subsequent to the end of the reporting period.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

49. COMPARATIVE AMOUNTS

The comparative consolidated income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

As further explained in note 2.2 to the financial statements, due to the adoption of the revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 January 2023 has been presented.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 March 2025.

GLOSSARY

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings:

"2021 Convertible Bonds"	the 1.8% convertible bonds due 2027 in the principal amount of HK$500,000,000 issued by the Company
"2024 Convertible Bonds"	the 3.5% convertible bonds due 2030 in the principal amount of HK$500,000,000 issued by the Company
"2025 Convertible Bonds"	the 1.5% convertible bonds due 2026 in the principal amount of HK$500,000,000 issued by the Company
"Board"	The Board of Directors of the Company
"Company"	Xtep International Holdings Limited
"Corporate Governance Code"	The Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Deed of Non-compete"	the deed of non-compete dated 7 May 2008 executed by the then controlling shareholders of the Company in favour of the Company
"Director(s)"	The director(s) of the Company
"GDP"	Gross domestic product
"Group"	The Company and its subsidiaries
"Group Success"	Group Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 23 February 2007, and is wholly owned by Wan Xing International Holdings Limited, which is in turn ultimately owned as to 67% by Mr. Ding Shui Po's family trust, 21% by Ms. Ding Mei Qing's family trust and 12% by Mr. Ding Ming Zhong's family trust
"HK$" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" and "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"KP Convertible Bonds"	the 3.5% convertible bonds due 2032 in the principal amount of US$154,000,000 issued by KP Global
"KP Disposal"	the disposal of the entire issued share capital of KP Global by the Company, which was completed on 30 November 2024

GLOSSARY

"KP Global"	KP Global Investment Limited, owner of K-Swiss and Palladium brands
"KP Global Group"	KP Global and its subsidiaries
"K-Swiss Convertible Bonds"	the zero coupon perpetual convertible bonds in the principal amount of US$65 million issued by KP Global
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PRC" or "China" or "Chinese Mainland" or "Mainland China"	The People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"R&D"	Research and development
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	Ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	Shareholder(s) of the Company
"U.S."	United States of America
"US$"	U.S. dollars, the lawful currency of the U.S.
"Xtep"	Xtep brand
"Xtep Adult"	The adult's sportwear business of the core Xtep brand
"Xtep Kids"	The children's sportswear business of the core Xtep brand

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