



XTEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
SEHK stock code: 1368

2025

ANNUAL REPORT



ABOUT THE GROUP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company that has been listed on the Main Board of the Hong Kong Stock Exchange since 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 8,000 stores.

MISSION

A customer-centric approach to promoting wellness through sports

VISION

Leveraging technological innovation to create the world's leading sportswear enterprise

VALUES

Passionate, Innovative,
Efficient, Collaborative





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AWARDS AND RECOGNITION

1 2025 Extel All-Asia Executive Team Survey

- Best CEO – Overall (Sell-side) – 3rd place
- Best CFO – Overall (Combined) – 3rd place
- Best CFO – Overall (Sell-side) – 3rd place
- Best IR Professional – Overall (Sell-side) – 3rd place
- Best IR Team – Overall (Sell-side) – 3rd place
- Best IR Program – Overall (Sell-side) – 3rd place
- Best ESG Program – Overall (Sell-side) – 3rd place
- Best Company Board – Overall (Sell-side) – 3rd place

2025 All-Asia Executive Team



2 2025 IR Impact Awards – Greater China

- Best Investor Targeting Strategy
- Best Sell-side Management



3 Corporate Governance Asia 15th Asian Excellence Award 2025

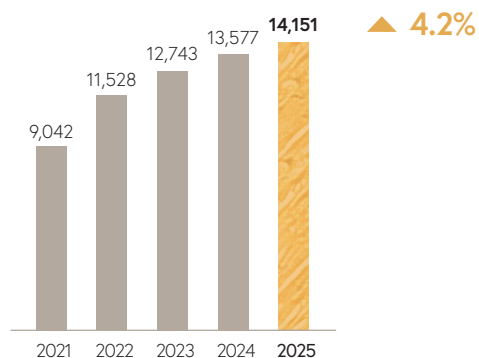
- Asia's Best CEO (Investor Relations)
- Asia's Best CFO (Investor Relations)
- Best Investor Relations Professional
- Best Investor Relations Company



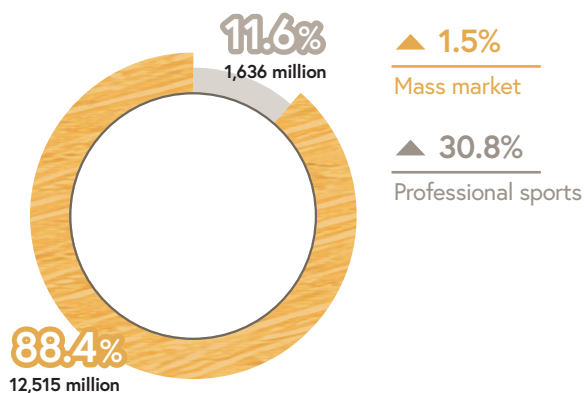
ANNUAL RESULTS AT A GLANCE

Revenue

(RMB million)

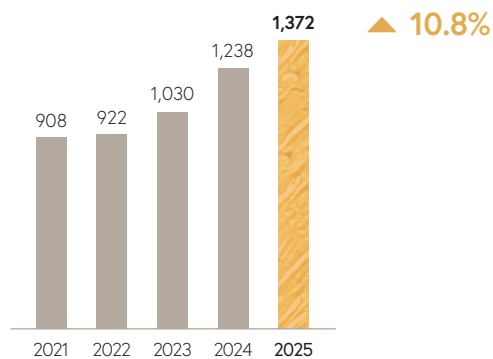


Revenue by segment

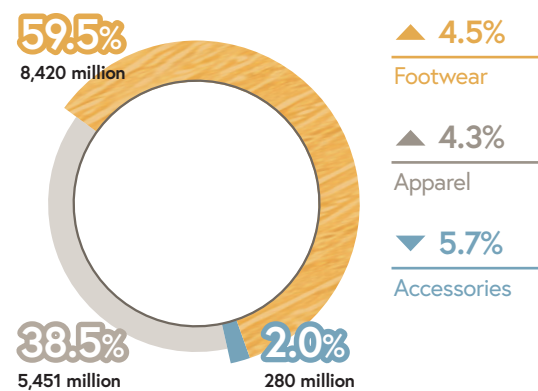


Profit attributable to ordinary equity holders

(RMB million)



Revenue by product category



Final dividend per Share

HK **9.5** cents 50.4%
Full year payout ratio

Return on equity

14.5% ▲ 0.4% point

Net Cash

RMB **1,707** m ▲ 73.4%

Net asset value per Share

RMB **3.64** ▲ 12.3%

STRATEGIC FRAMEWORK

Continuous focus on running



Mass market



Premium market



No.1

Running brand in China

COMPANY HIGHLIGHTS

■ "A" MSCI ESG rating



■ RMB64+ million

Total sportswear and cash donations



▲ Sponsor of the Xiamen Marathon for 17 consecutive years



▲ Global partner of the 12th World Games and The International World Games Association

ESG

Leadership in running

Event sponsorship



Ranked 1st among the top 100 Chinese male runners for four consecutive years¹

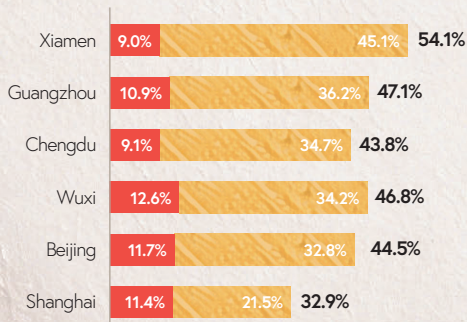
Ranked 1st among the top 100 Chinese female runners for three consecutive years¹

34%
Wear rate

21%
Wear rate

"160X" championship running shoe series assisted numerous athletes in breaking records

No.1 overall wear rate across six major marathons in China²



He Jie
15th National Games marathon championship

Feng Peiyou
Broke Chinese record and ranked 1st among Asian athletes at 2026 Tokyo Marathon

¹ Source: 98 Run
² Source: Joyrun

COMPANY HIGHLIGHTS



▲ Concept store at The MixC Hangzhou



▲ First Gold Label running store in Shanghai



▲ Refined brand positioning and support children's height development through sports

▶ Xtep Growth Sneaker



X Young

Retail network

Product



Enhanced portfolio catering for both elite athletes and the running community



▲ 160X 7.0 PRO championship running shoe

▲ QING YUN cushioning running shoe



Strengthened running products and expanded lifestyle offerings



▲ TRIUMPH 23

▶ WOOLLY Active Lifestyle Wool Collection



▶ ENDORPHIN ELITE 2



FIVE-YEAR FINANCIAL SUMMARY

For the year ended 31 December	2025	2024	2023	2022	2021
Profitability data (RMB million)					
Revenue ^(Note 8)	14,151.1	13,577.2	12,742.9	11,527.9	9,042.3
Gross profit ^(Note 8)	6,063.0	5,865.4	5,331.2	4,764.3	3,745.3
Operating profit ^(Note 8)	2,018.8	1,965.5	1,798.0	1,653.0	1,486.1
Profit attributable to ordinary equity holders	1,371.6	1,238.4	1,030.0	921.7	908.3
Basic earnings per Share (RMB cents) ^(Note 1)	51.35	48.67	40.76	36.61	36.35
Profitability ratios (%)					
Gross profit margin ^(Note 8)	42.8	43.2	41.8	41.3	41.4
Operating profit margin ^(Note 8)	14.3	14.5	14.1	14.3	16.4
Net profit margin ^(Note 8)	9.7	9.1	8.1	8.0	10.0
Effective tax rate ^(Note 8)	30.5	31.3	24.9	29.4	28.6
Return on average total equity holders' equity ^(Note 2)	14.5	14.1	12.0	11.4	12.0
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	12.9	13.4	13.3	12.0	9.9
Staff costs	10.5	10.0	9.7	10.8	11.3
R&D costs	2.9	2.9	3.1	2.6	2.5
As at 31 December					
Assets and liabilities data (RMB million)					
Non-current assets	4,676.5	4,738.1	5,281.0	4,155.4	4,183.0
Current assets	12,222.3	11,230.1	12,044.4	12,338.1	10,432.4
Current liabilities	5,151.2	5,282.6	5,892.3	7,064.3	4,469.5
Non-current liabilities	1,545.1	1,983.0	2,509.8	1,122.5	2,163.5
Non-controlling interests	–	–	60.7	62.5	53.1
Total equity holders' equity	10,202.5	8,702.6	8,862.6	8,244.2	7,929.3
Asset and working capital data					
Current asset ratio	2.4	2.1	2.0	1.7	2.3
Gearing ratio (%) ^(Note 3)	14.4	18.1	20.3	19.6	17.4
Net asset value per Share (RMB) ^(Note 4)	3.64	3.24	3.38	3.15	3.03
Average inventory turnover days (days) ^(Note 5)	77	68	90	90	77
Average trade receivables turnover days (days) ^(Note 6)	120	120	106	98	107
Average trade payables turnover days (days) ^(Note 7)	87	101	113	121	120
Overall working capital days (days)	110	87	83	67	64

NOTES:

- 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.
- 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.
- 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.
- The calculation of net asset value per Share is based on the total number of Shares in issue at the end of the year.
- 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 2024).
- 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 2024).
- 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 2024).
- 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.

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*)
Chan Yee Wah
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

As China's leading running brand, our market dominance serves as a strategic buffer against volatility.

China's overall consumption remained stable, supported by a number of effective government policies designed to stimulate spending. In 2025, China's gross domestic product and total retail sales of consumer goods increased steadily by 5.0% and 3.7%, respectively. Domestic demand within the sports industry continued to rise, driven by the rising popularity of sports events. This momentum has fueled rapid growth in key categories, especially running and outdoor activities, supporting the continued expansion of sports-related consumption and reinforcing the sector's stable growth trajectory. In line with these market dynamics, the Group has strategically anchored its portfolio around running, positioning the core Xtep brand for the mass market and Saucony for premium consumers. By harnessing the synergies between the two brands, we have ensured comprehensive market coverage — from mass to elite consumer groups — while sustaining retail sales growth throughout the year.



CHAIRMAN'S STATEMENT

PERFORMANCE REVIEW

In 2025, the Group's revenue from continuing operations rose 4.2% to RMB14,151.1 million (2024: RMB13,577.2 million), with gross profit margin at 42.8% (2024: 43.2%). Profit attributable to ordinary equity holders of the Company reached a record high of RMB1,371.6 million (2024: RMB1,238.4 million), an increase of 10.8%. Basic earnings per Share stood at RMB51.4 cents (2024: RMB48.7 cents). The Board has proposed a final dividend of HK9.5 cents per Share, with the option to receive scrip shares in lieu of cash. Together with an interim dividend of HK18.0 cents per Share, the full-year dividend payout ratio equates to 50.4%.

RUNNING-LED STRATEGY TO BUILD RESILIENT GROWTH

The core Xtep brand has reinforced its strategic focus on running, capitalizing on its professional credibility to engage the broader mass market. In 2025, it maintained the highest wear rate in China's leading marathons and helped elite athletes achieve standout performances. Its dominant market presence was evident at major events, including the Xiamen, Shanghai, Beijing, Wuxi, and Chengdu marathons. Its performance-driven reputation was further strengthened when athlete He Jie won gold at the marathon event of the National Games, and Feng Peiyu, wearing Xtep shoes, clocked a time of 2:05:58, breaking the Chinese record and finishing as the fastest Asian runner at the 2026 Tokyo Marathon.

Building on the proven success of its flagship running shoes, the core Xtep brand has expanded its product portfolio to drive growth and reinforce its leadership in the running sector. As participation in marathons continues to rise across China, Xtep is well-positioned to expand its influence and capture a larger share of the mainstream market. At the same time, we have accelerated channel reforms by introducing a direct-to-consumer (DTC) model to swiftly respond to evolving consumer preferences, as well as by expanding into shopping malls and outlets. We are confident that these approaches are essential for enhancing operational efficiency and store productivity.

CAPITALIZING ON NICHE MARKETS TO FUEL NEW GROWTH

Saucony has upheld its century-old legacy as a heritage running brand by focusing on elite runners and reinforcing its premium brand positioning. Committed to the pursuit of excellence, the brand continues to enhance its research and development capabilities, consistently launching benchmark professional running products that further strengthen its reputation for unmatched expertise. In addition to its emphasis on performance running, Saucony broadened its

product range in the second half of 2025 with the accelerated rollout of lifestyle and apparel collections. These launches received a positive market response, bolstering our confidence in scaling up the business in the future.

As part of our ongoing efforts to elevate the consumer experience and boost store productivity, we have expanded our retail presence by opening new flagship stores in prime commercial districts of higher-tier cities. The resultant robust growth from the offline business has been complemented by the strategic restructuring of Saucony's e-commerce business, ensuring seamless synergy between online and offline channels, enhancing our brand image and driving higher operational efficiency.

The surge in public participation in outdoor activities across China reflects a fundamental lifestyle shift, and positioning the Group for long-term market expansion. Merrell's expertise in diverse natural terrains has resonated deeply with a new wave of explorers, successfully fueling the brand's expansion strategy. By prioritizing e-commerce as its primary growth engine, Merrell has turned the outdoor lifestyle boom into consistent market gains and long-term brand loyalty.

CAPTURING OPPORTUNITIES IN AN EVOLVING MARKET

The government's goal of developing a RMB7 trillion sports industry by 2030, coupled with the surging demand for sports in China, has reaffirmed our confidence in the Group's long-term growth trajectory and provides a powerful engine for expansion. As China's leading running brand, our market dominance serves as a strategic buffer against volatility. By leveraging continuous R&D to fortify our product matrix, alongside channel optimization and our DTC initiatives, we are set to enhance operational efficiency, capture greater market share, and deliver sustainable value.

I would like to express my sincere gratitude to our employees for their exceptional efforts, and to our shareholders for their continued trust in Xtep. As we look ahead, we remain dedicated to upholding our commitment to excellence and ensuring that our shared vision translates into sustainable, maximum value.

Mr. Ding Shui Po

Chairman

Hong Kong, 26 March 2026

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET DEVELOPMENT

Running events set for resilient growth

As China accelerates its transformation into a global sporting powerhouse — setting an ambitious goal to grow its sports industry to RMB7 trillion by 2030 — public engagement in sports events has become a key pillar of this national vision. This momentum was vividly reflected in the marathon boom of 2025, when major races returned to full capacity and acceptance rates at several high-profile events fell to historic lows. The frenzy is best illustrated by the overwhelming registration numbers for the year, particularly for marathons in cities such as Shanghai, Xiamen, Wuxi and Chengdu. Notably, the Shanghai Marathon saw a record-breaking 356,500 applicants, with a full marathon acceptance rate of just 7.2%, underscoring the surging public enthusiasm for mass sporting events.

Amid the sustained momentum of large-scale marathons, the Chinese Athletics Association has rolled out new regulations focused on enhancing risk prevention and operational standards, especially for smaller-scale races. These measures not only support the long-term vitality of marathon events but also align with broader national objectives to promote mass sports participation, thereby guiding the running industry toward a more structured and resilient development path.

Niche is the new mainstream

In today's dynamic retail environment, China's sportswear market is entering a new era of niche diversification. Consumers are increasingly drawn to brands that reflect their personal identities and values, fueling the rise of labels that prioritize individuality, technical performance, and global cultural relevance over mass-market conformity. This shift is especially pronounced in China, where cautious consumer sentiment, shaped by economic uncertainty, has led shoppers to seek more meaningful, value-driven purchases. Rather than simply chasing discounts, discerning younger consumers in particular are shifting toward specialized brands that offer premium quality and distinct positioning. By combining authentic storytelling with agile digital engagement and a sharp focus on individuality, these niche players are forging deeper emotional connections with their audiences. In an era where differentiation drives loyalty, these niche players are not only capturing market share but also reshaping the competitive dynamics of China's sportswear industry.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW



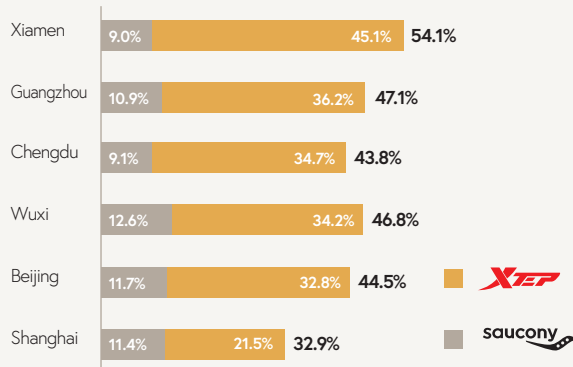
Running

Extending our leadership in running through the highest marathon wear rates

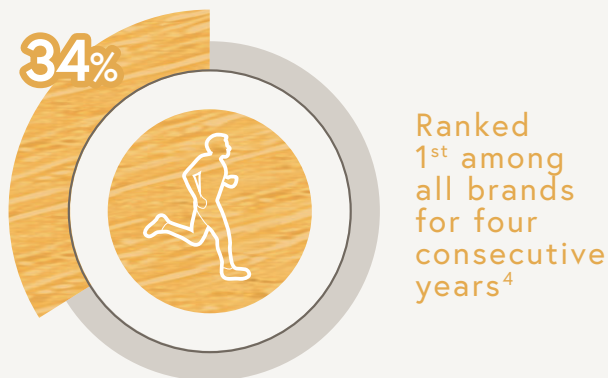
Xtep has established a new industry benchmark amid China's ongoing running boom, achieving an unprecedented milestone in the nation's marathon history. We now consistently rank first in participant wear rates across all major domestic marathons, validating the efficacy of our "professional-to-mass influence" strategy. During the 2025-2026 period, Xtep secured the highest wear rate among all participants in each of the six key marathons – Shanghai, Beijing, Xiamen, Guangzhou, Wuxi, and Chengdu – completing a full sweep of these flagship events.

Beyond mass participation, Xtep has dominated the elite field, ranking first in wear rate among China's top 100 male runners and top 100 female runners for four and three consecutive years, respectively. This sustained preference by the nation's finest athletes not only confirms Xtep's performance but also reinforces its credibility with mass runners, seamlessly connecting elite validation with mainstream trust. This landmark accomplishment distinguishes Xtep as the first brand in Chinese marathon history to achieve such comprehensive market leadership.

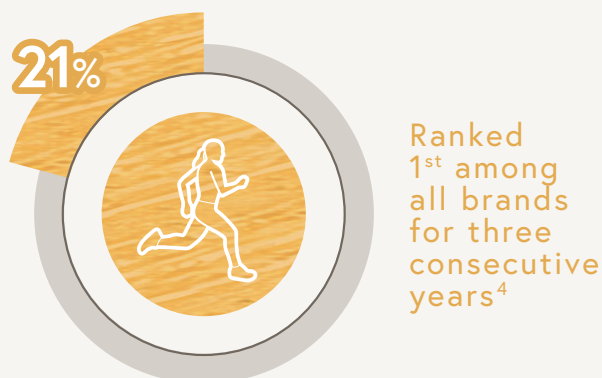
Xtep and Saucony's overall wear rate across the six major marathons in China³



Xtep running shoes wear rate among the top 100 male runners in China in 2025



Xtep running shoes wear rate among the top 100 female runners in China in 2025



³ Source: Joyrun

⁴ Source: 98 Run

MANAGEMENT DISCUSSION AND ANALYSIS

160X 7.0 PRO

XTEP ACE+ Foam Technology

Rebound rate
exceeds 85%



Marathon-grade CPU Outsole

Slip resistance
enhanced by 38.5%

GT700 Carbon Fiber Plate

Propulsion increased
by 8.7%

260X 3.0

XTEP ACE+ Foam Technology

Dual-density midsole
provides reliable
protection



T400 Carbon Fiber Plate

Flexibility and roll efficiency improved
by 14% and 3.4%, respectively

360X 3.0

XTEP ACE Foaming Technology

Rebound rate
exceeds 70%



BT400 Carbon Fiber Plate

Bends by up to 100°

Championship running series

In August, Xtep launched the next-generation championship running shoe, the "160X 7" series, featuring "160X 7.0 MONXTER", "160X 7.0 PRO", and "160X 7.0." Equipped with pioneering technologies and state-of-the-art carbon fiber plates, these shoes are set to raise the performance standards of professional running shoes to a new level.

Xtep's "160X" series continued to help elite athletes secure outstanding results in numerous international and domestic races. The performance gains were highlighted at the 2026 Tokyo Marathon, where Feng Peiyu, competing in Xtep's "160X 7.0 PRO" championship running shoe clocked a time of 2:05:58, breaking the Chinese record and finishing as the fastest Asian runner. In the National Games in the Greater Bay Area in November, He Jie, wearing Xtep's "160X" championship running shoes, clinched the gold medal of men's marathon, marking the first-ever gold for the Ningxia track and field team. Yang Jiayu, wearing Xtep's "160X" running shoes, won the women's 20km race walk championship. Xtep championship running shoes also aided Yang Jiayu and Shi Shengjie in winning gold in the marathon race walk mixed relay.

In addition to the "160X" running shoe, the championship running series also includes the "260X" and "360X" models. Both series are engineered with carbon fiber plates and designed to elevate speed training and everyday running.

"QING YUN" mass market flagship running shoe series

Driven by a commitment to delivering value-for-money, high-performance footwear, we expanded our mass-market offerings with the launch of the "QING YUN" flagship cushioned running series. Designed to provide a "peace of mind in every step," the new series features a complete range of models — from those without a carbon fiber plate to those equipped with one — ensuring a more comfortable and ergonomic fit for everyday runners.

MANAGEMENT DISCUSSION AND ANALYSIS

Fostering runner connections

Marathons

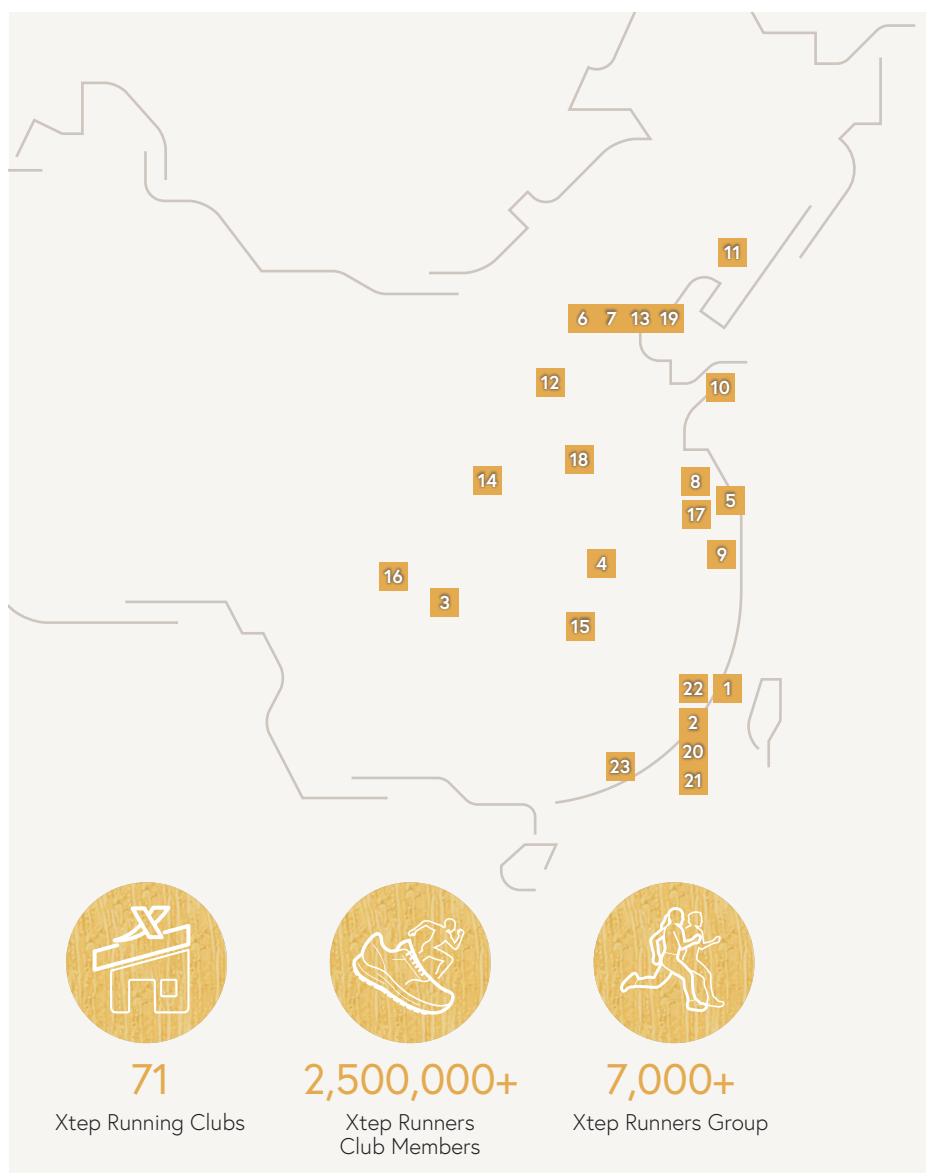
In 2025, our strategic commitment to China's running culture manifested in the sponsorship of 74 landmark running events nationwide. This commitment was anchored by our proud partnership with the world-class Xiamen Marathon, marking our 17th consecutive year as a sponsor of this World Athletics Platinum Label race. Our support further elevated a series of prestigious Gold Label marathons, empowering premier events, including the Chongqing, Wuhan, Taiyuan, and Yangzhou Jianzhen Half Marathons, building momentum across the nation's vibrant running ecosystem.

Xtep Running Clubs

Strategically situated in China's top urban parks and most popular running corridors, Xtep Running Clubs are designed as full-service havens for athletes. Members enjoy tailored running guidance, organized group runs, and premium conveniences including charging and shower facilities. By hosting exclusive events and collaborating with affiliated running groups, we are actively encouraging participation and fostering a more connected, thriving running community.

Major marathons and running events sponsored by Xtep in 2025

- JAN**
 - 1 Shishi Marathon
 - 2 Xiamen Marathon
- MAR**
 - 3 Chongqing Marathon
 - 4 Wuhan Marathon
 - 5 Yangzhou Jianzhen Half Marathon
- APR**
 - 6 Tsinghua University Campus Marathon
 - 7 Peking University May Fourth Youth Day Run
 - 8 Jianguin Half Marathon
- MAY**
 - 9 Hangzhou Women's Half Marathon
 - 10 Rushan Women's Half Marathon
- SEPT**
 - 11 Shenyang Marathon
 - 12 Taiyuan Marathon
 - 13 Peking University's First Run of New Semester
- OCT**
 - 14 Xi'an Marathon
 - 15 Changsha Marathon
 - 16 Chengdu Marathon
- NOV**
 - 17 China Annual Ranking Marathon
 - 18 Zhengzhou Marathon
 - 19 Tsinghua University Winter Mini Marathon
- DEC**
 - 20 Xiamen Huandong Half Marathon
 - 21 Xiamen Haicang Half Marathon
 - 22 Jinjiang Marathon
 - 23 Shenzhen Nanshan Half Marathon



MANAGEMENT DISCUSSION AND ANALYSIS



Outdoor

The surge in China's outdoor recreation market has presented a pivotal growth opportunity. In aligning our product expansion with this rising consumer demand, we have successfully catalyzed strong retail sales momentum. In 2025, we introduced two high-performance collections: the "FEI SHI" hiking shoe and sandal line, and the "SHAN MAO" trail running shoe. Designed with advanced shock absorption and anti-slip technology, these collections enable outdoor enthusiasts to navigate rugged terrain with confidence and in comfort.

To strengthen our apparel offerings, we also launched a new waterproof windbreaker that combines advanced technology with certified expertise to elevate outdoor readiness to a new level. Its Dermizax seamless membrane acts as a formidable barrier against rain while efficiently expelling sweat, striking an optimal balance of protection and comfort to keep athletes dry in demanding conditions.

Basketball

Xtep further strengthened its commitment to athletic excellence by empowering basketball players with professional-grade basketball products. Through our partnership with brand ambassador Jeremy Lin, a celebrated athlete and influential figure, we supported the growth of basketball culture in China, inspiring a new generation of players with both performance and purpose.

In 2025, Xtep officially launched the "JLIN6" professional basketball shoe, featuring a teardrop-shaped TPU and a lightweight EVA frame to significantly enhance heel stability. Further advancing its technical profile, the shoe is equipped with XTEP ACE cushioning technology and a rigid midfoot carbon fiber plate, delivering superior torsional support, improved overall rigidity, and exceptional forefoot energy return. The launch was highlighted by a special appearance from brand ambassador Jeremy Lin at the grand opening of a new Xtep flagship store in Shenyang in July. There, Lin personally signed pairs of the "JLIN6" for fans and engaged warmly with the crowd, generating tremendous excitement and strengthening the connection between the brand and the community.

MANAGEMENT DISCUSSION AND ANALYSIS



Retail management and branding

Xtep's commitment to retail management is a key driver of success, continuously enhancing our brand image and competitive standing. By prioritizing a consistently excellent customer experience, we deepen consumer trust and directly fuel sustainable sales growth.

Gold Label stores

This commitment is powerfully demonstrated by the launch of our premium Gold Label stores. In October, we unveiled the first Gold Label pop-up at the SEG International Shopping Center in Xi'an, anchoring our premiumization strategy and the "Xtep: Chinese Roots, World-Class Running Shoes" concept, seamlessly blending minimalist aesthetics with a professional running culture. Building on this momentum, we opened our flagship Gold Label running store in Shanghai in December. This destination is designed as a holistic sports experience hub, integrating product sales, running services, and community engagement. Through dedicated art installations, professional foot measurement service, and thematic layouts, the store strengthens our professional running image and deepens consumer interaction, effectively targeting high-value customers and enhancing overall store productivity.

Selected Xtep outlets

Capitalizing on the rapid growth of outlet channels, we launched the Selected Xtep format, signifying the brand's strategic entry into the premium outlet space. These stores are designed around the core principles of "spaciousness, comprehensiveness, and excellence," aiming to deliver an immersive shopping experience. Their product assortment fully encompasses key categories such as running, basketball, fashion, lifestyle, and training, effectively addressing the diverse needs of consumers while offering competitive value across all segments.

As at 31 December 2025, there were 6,357 Xtep Adult branded stores, mainly operated by authorized distributors in the Chinese Mainland and overseas (31 December 2024: 6,382).

MANAGEMENT DISCUSSION AND ANALYSIS

E-commerce

The e-commerce business continued to be a primary growth driver in 2025, accounting for more than one-third of the Xtep brand's revenue. Live streaming platforms such as Douyin and WeChat Channels emerged as high-performance retail channels for the Group, with revenue surging by around 40%. These platforms effectively attracted and engaged a new generation of consumers seeking dynamic, content-driven shopping experiences.

"2,000 KM" flagship running shoe

Meanwhile, the running segment within e-commerce demonstrated robust growth. This was led by the flagship "2,000 KM" series, which proved to be the flagship product. In December, we launched the fifth generation "2,000 KM," which incorporates XTEP ACE cushioning technology and a highly durable outsole, making it ideally suited for extended training runs and daily use. In 2025, sales volume for the "2,000 KM" series doubled, underscoring its strong market performance.

Overseas business

Leveraging its established leadership in running from China, Xtep is accelerating its global strategy to unlock new avenues for growth. This initiative is advancing rapidly with targeted store openings and digital penetration in Southeast Asia. A key milestone was the September launch of Xtep's first overseas Running Club at Singapore's Kallang Wave Mall, establishing a strategic model and community hub to attract international runners and support wider regional development. This foundation proved highly effective, with our overseas Runners Club members surging 34-fold to over 7,000 in 2025. The retail footprint was further strengthened through a major partnership with Bonia in Malaysia, highlighted by the grand opening of a 300 sq.m. flagship running store at Kuala Lumpur's prominent Mid Valley Megamall.

Meanwhile, our cross-border e-commerce business has achieved remarkable progress, delivering over 220% growth. This surge has been particularly robust across key Southeast Asian platforms, including Shopee, TikTok, and Lazada.



MANAGEMENT DISCUSSION AND ANALYSIS



X Young

Building on over 13 years of commitment to youth athletics, Xtep has established itself as a trusted leader in children's sportswear and youth development. By integrating advanced performance technology with holistic health-focused programs, we actively support young athletes throughout every stage of their growth journey. This dedication not only strengthens our leadership in the children's sportswear category but also drives steady market expansion.

Collaboration with Tsinghua x-lab

In November, Xtep and Tsinghua x-lab deepened their collaboration, centering their partnership on "technological innovation, brand creation, and industrial innovation." Through in-depth discussions focused on sustainable sports and scientific-commercial solutions for youth development, the partnership made significant progress. Additionally, in collaboration with the Department of Physical Education of Tsinghua University, we also completed the analysis of 330,000 children's foot morphology datasets, applying AI measurement technology to product research to develop a comprehensive "Growth Science" solution.

"Xtep Growth Sneaker 1.0 PRO" to empower youth growth through sports

In July, we debuted the "Xtep Growth Sneaker 1.0 PRO," a product built on the principle of supporting youth growth through athletics. Its design incorporates three key supportive technologies: a wide toe box, arch-supporting insoles, and a reinforced heel counter. The series pioneers the "Growth Science" approach, fusing AI smart detection with professional exercise programs to make sports a catalyst for healthy development. Since its launch, the shoe has garnered a highly positive market reception and achieved outstanding sales performance.

X Young partners with global street dance event Juste Debout

X Young has partnered with the world's premier street dance competition, Juste Debout, to empower a new generation of young dancers. With a legacy spanning over two decades, Juste Debout stands as the world's leading street dance competition in terms of scale and influence. As the exclusive official sportswear partner for the 2025 China competition, X Young will play a key role in selecting China's national street dance team and will support them in preparing to compete at the 2026 Juste Debout Global Finals in France.



► Xtep Growth Sneaker

MANAGEMENT DISCUSSION AND ANALYSIS

saucony

MERRELL

Professional sports

Fueled by Saucony's robust revenue growth, the professional sports segment delivered a strong financial performance in 2025. Revenue rose by 30.8% year on year to RMB1,636.0 million, accounting for 11.6% of the Group's total revenue. The segment also recorded a significant rise in profitability, with operating profit reaching RMB114.5 million, a substantial increase from RMB78.2 million in the prior year.



Business development

Rooted in a century of running heritage, Saucony's high-performance gear has long been the trusted choice of professional athletes. To expand its influence, the brand has executed a comprehensive transformation, elevating its product innovation capabilities, refining its retail channels, and launching sophisticated marketing campaigns. This strategic transformation has successfully extended Saucony's appeal beyond elite runners to resonate with discerning, high-end consumers.

In 2025, premium Saucony flagship stores were opened in prominent upscale malls across key cities, enhancing accessibility and prestige. The expanded retail footprint was paired with a greater product assortment that bridged performance and lifestyle, featuring premium running apparel and versatile lifestyle gear. These initiatives reinforced Saucony's position as a brand that effectively straddles athletic excellence and modern style, engaging both dedicated runners and fashion-conscious consumers. Through this holistic brand upgrade, Saucony has strengthened its duality: a performance authority for athletes and a refined lifestyle brand for the premium market. As at 31 December 2025, there were 175 Saucony stores in the Chinese Mainland.

Product innovation and marketing

Saucony deepened its engagement with China's running community through a multifaceted branding approach. For the fifth consecutive year, Saucony reinforced its professional sports image among elite athletes by serving as the Gold Partner for the "Hood to Coast China Relay." The event drew a wide range of top-tier teams in Hainan, with two Saucony-sponsored teams achieving standout performances. The "Endorphin Elite" team secured first place with a time of 7:39:44, while the "Endorphin Speed" team took second place, finishing in 7:51:17.

Beyond elite racing, Saucony hosted a series of running training camps across Shenyang, Chengdu, Hangzhou, Xi'an, Nanjing, Guangzhou, and Shenzhen. These camps provided practical training support, helping runners improve their performance while fostering stronger connections with local running groups. Further supporting runners in China, Saucony expanded its research and development efforts, launching key professional running models including the "TRIUMPH 23", "ENDORPHIN ELITE 2", "KINVARA 16", "ENDORPHIN SPEED 5", and "PHOENIX INFERNO 5." Each release was met with enthusiastic market response, strengthening Saucony's reputation for innovation and performance.

MANAGEMENT DISCUSSION AND ANALYSIS

Building on its leadership in performance footwear, Saucony enriched its lifestyle portfolio in 2025. A key highlight was the launch of the innovative "WOOOLLY Active Lifestyle Wool Collection." Developed according to a new "Sports Lifestyle Wool" standard, co-created by Saucony and China Textile Standards, the collection is exceptionally lightweight and machine washable. It also stands out for its outstanding durability, maintaining its shape perfectly through 150 home washes – exceeding industry benchmarks by 200%. In addition, the brand debuted the co-branded "Flowers Grow Uptown" series with artist Jae Tips to elevate its lifestyle appeal. This release reimagines the classic "ProGrid Triumph 4" silhouette with a bold palette of pink and green, incorporating mixed materials such as faux turf fleece and translucent rubber to achieve a distinctive blend of streetwise style and everyday comfort.

With regard to Merrell, it has maintained its commitment to delivering technically advanced apparel and footwear for the outdoor enthusiast, striking an optimal balance between uncompromising performance, durable functionality, and all-day comfort. In 2025, the brand introduced two versatile offerings – the "Free Stride Lite" lightweight outdoor hiking shoe and the "ME" urban-outdoor hiker. Both models merge functionality with style, enabling effortless adaptation across diverse environments, from city streets to wilderness trails. As for our "MTL SpeedARC Peak" trail running shoe — designed for elite runners — it earned the prestigious ISPO Award Winner 2025 distinction. The shoe features the SpeedARC™ system, which integrates a carbon fiber propulsion plate and a premium Vibram sole, providing long-distance comfort and reliable grip on rugged terrain.



To strengthen its connection with China's outdoor community, Merrell collaborated with Nature's Echo on a "Coffee Walk" event in Shanghai. Participants savored a special coffee blend while strolling comfortably along the Suzhou River in the lightweight "Free Stride Lite" shoe. Additionally, the brand hosted a trail running race in Wuxi's Baojie Mountain Forest Park, where 500 runners navigated a picturesque course weaving through lakes and mountain scenery.

MANAGEMENT DISCUSSION AND ANALYSIS

MSCI ESG RATINGS



CCC B BB BBB A AA AAA

Sustainability

MSCI ESG Ratings at "A"

Xtep earned an MSCI ESG "A" rating. This marks Xtep's dedicated progress on core challenges. The achievement highlights the tangible results in making products greener, supply chains fairer, and workplaces safer, reflecting a corporate culture that considers responsible practices as integral to success.

Textile waste recycling

In 2025, Xtep launched a dedicated program to recycle pre-consumer textile waste. Partnering with 14 core suppliers and third-party processors, the Group established a closed-loop system to collect and process production scraps for regenerating into yarn. During the year, 51.3 tons of fabric waste were recycled, reducing production-side disposal and supporting circular-economy practices. This recycled yarn debuted at the 2026 Xiamen Marathon in the form of official race shirts, visibly embedding sustainability into sports.

Autism inclusion on Mother's Day

During Mother's Day in May 2025, a dedicated parent-child event was held for families with autistic children. By engaging in sports activities and collaborative crafts, the program fostered a supportive space for emotional bonding and mutual understanding. Beyond spreading warmth, the initiative helped raise public awareness and promote a more inclusive society for individuals on the autism spectrum.

Thanksgiving coastal cleanup

To celebrate the environmental spirit of Thanksgiving, Xtep organized a coastal cleanup, bringing together employees, volunteers, and community members. Participants collected and sorted shoreline waste while also sharing insights on ocean conservation. This hands-on effort underscored Xtep's dedication to environmental stewardship and strengthened the brand's partnership with the community in advancing public welfare.

Promoting social well-being

Contributing to society is an integral part of our corporate culture. In 2025, we supported various philanthropic initiatives through sportswear and financial donations valued at over RMB64 million, reinforcing our commitment to having a positive impact on society.



MANAGEMENT DISCUSSION AND ANALYSIS

Operations management

Supply chain management

We deliver operational excellence through a streamlined supply chain and collaborative sourcing. This strategy advances the production of footwear and apparel, reinforcing the quality and reliability of our business operations.

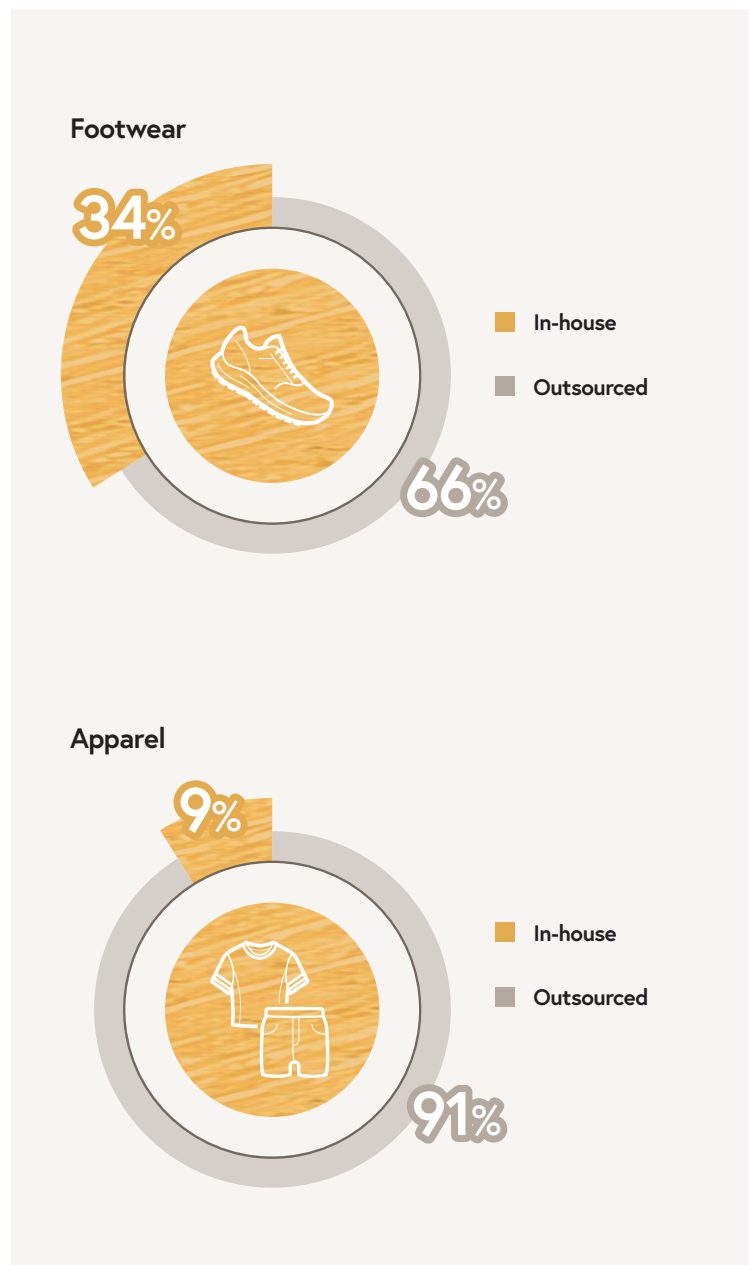
The in-house production facility in Shishi, Fujian Province covers a total planned area of 170,000 square meters, which will employ advanced automated footwear production systems, significantly boosting output capacity to meet rising market demand while upholding rigorous quality controls. A 30,000-square-meter segment of the second phase of the facility commenced operations in January 2025.

The evolution of our supply chain is progressing through the development of the new Jinjiang Logistics Park in Fujian. This 240,000-square-meter centralized hub will serve as the cornerstone of our retail fulfillment network, accelerating store deliveries and refining inventory management. The initial 120,000-square-meter phase, established through a strategic partnership with global logistics leader SF Express, is scheduled to commence operation in the first half of 2026.

Human resources management

As at 31 December 2025, the Group's workforce stood at approximately 8,800 (31 December 2024: approximately 8,900 people), with 58.8% in production roles (31 December 2024: 57.4%). We adhere to a performance-based human capital strategy that ensures transparent career progression and competitive compensation. This framework supports our organizational growth and strengthens our competitive market positioning.

Through a tiered and categorized talent development framework, Xtep provides comprehensive training in professional skills, leadership development, and cultural operations management. Delivered through digital and in-person platforms, over 670,000 cumulative training hours were provided as at 31 December 2025, yielding measurable gains in organizational competencies.



MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

Our deep commitment to the running market has laid a formidable foundation for enduring achievements. Through a relentless focus on innovation and investments in product development, channel expansion, and marketing initiatives, we have built a comprehensive and market-leading running ecosystem, bolstering our position as China's premier running brand. The complementary strengths of our portfolio – spearheaded by the core Xtep brand, alongside Saucony and Merrell – are poised to generate greater synergies and extend our competitive reach across the industry.

Our leadership in the running sector is consistently demonstrated by achieving the highest wear rates at major marathons across China. Breakthrough innovation is exemplified by our "160X" championship running series, which has empowered athletes to set national records and championship victories. In complementing our professional running products, we are committed to expanding our product offerings by introducing a wider range of high-quality, accessible products. This enables us to both deliver greater value to runners at every level and broaden our market presence.

To deepen engagement and loyalty, we introduced a direct-to-consumer (DTC) model in 2025. This strategic shift has enabled us to engage more directly with our community, swiftly respond to their evolving needs, and provide a more seamless purchasing experience. This foundation of agility and direct connection is critical for accelerating innovation, enhancing operational efficiency, and securing long-term growth.

As a heritage brand with over a century of history, Saucony has been successful in building up its premium brand image and effectively captured the growing demand for professional sportswear among running and social elites. This has enabled the brand to gather strong growth momentum, solidifying its role as the Group's secondary growth engine. Building on the positive market response to its apparel and lifestyle collection, Saucony will continue to expand this category while reinforcing its core performance running line. Saucony's expanded presence in premium retail locations has significantly strengthened its brand image, reinforcing our confidence in further refining our channel strategy to unlock greater store productivity and operational efficiency in the future.

The fundamentals of the sportswear industry remain strong, supported by favorable government policies and society's increasing focus on health and wellness. This sector-wide resilience, coupled with our distinct operational agility, bolsters our confidence in the future. Our competitive edge is driven by a fully optimized, end-to-end supply chain network that allows us to anticipate and respond with precision to evolving consumer preferences and emerging market niches. We are therefore well-equipped to strategically transform near-term volatility into growth opportunities and deliver sustained value to our stakeholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW CONTINUING OPERATIONS

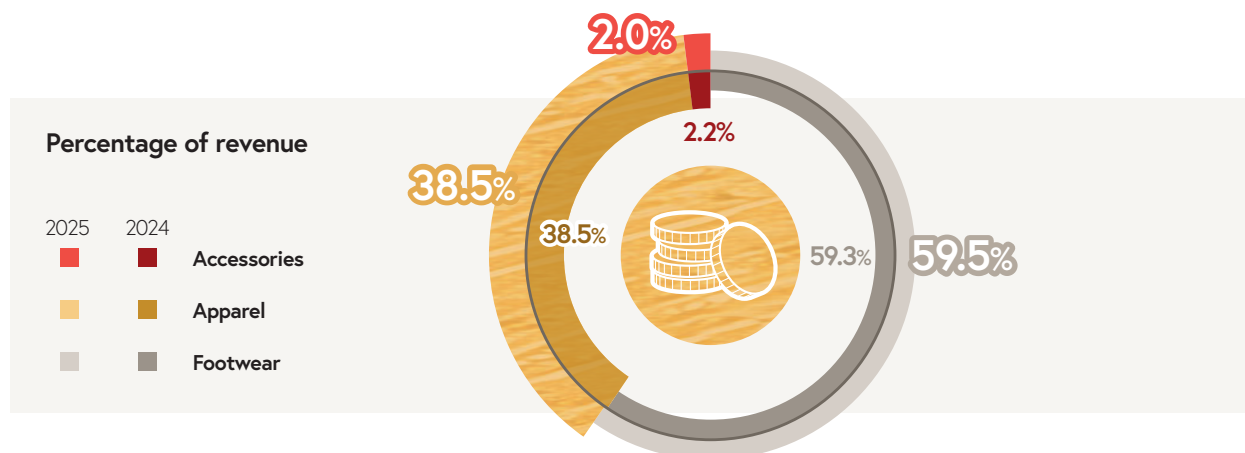
On 30 November 2024, the disposal of the KP Global Group was completed. The financial results of the KP Global Group for the period from 1 January 2024 to 30 November 2024 was presented as discontinued operation in the consolidated financial statements accordingly. The financial results for the year ended 31 December 2024 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

	2025 Revenue		2024 Revenue		Change in revenue (%)
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	
Footwear	8,420.0	59.5	8,054.4	59.3	4.5
Apparel	5,451.3	38.5	5,226.2	38.5	4.3
Accessories	279.8	2.0	296.6	2.2	-5.7
Total	14,151.1	100.0	13,577.2	100.0	4.2



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

	2025 Revenue		2024 Revenue		Change in revenue (%)
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	
Mass market	12,515.1	88.4	12,326.9	90.8	1.5
Professional sports	1,636.0	11.6	1,250.3	9.2	30.8
Total	14,151.1	100.0	13,577.2	100.0	4.2

MANAGEMENT DISCUSSION AND ANALYSIS

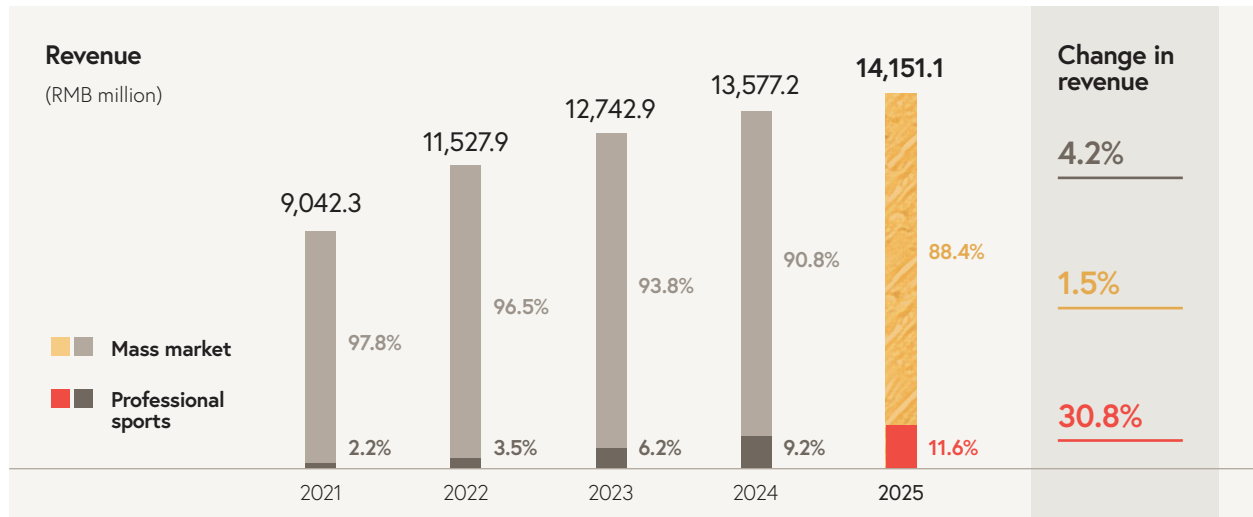
The Group's total revenue can be analysed into mass market and professional sports. The signature brands are:

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 RMB14.2 billion (2024: RMB13.6 billion), reflecting a year-over-year increase of 4.2%. This growth was primarily driven by:

- Mass Market:** Revenue from the mass market segment increased by 1.5% to RMB12.5 billion. This growth was mainly attributed to the strong performance of our online channels, which representing more than one-third of the Mass Market's revenue. On a product mix basis, the expansion was driven by increased apparel volumes and an uplift in the average selling price (ASP) of footwear. In contrast, there was a drop in the online ASP for apparel, reflecting targeted price adjustments to accommodate heightened price sensitivity among consumers.
- Professional Sports:** The professional sports segment saw significant growth of 30.8%, with revenue rising to RMB1,636.0 million. This remarkable increase was driven by strong retail performance, highlighted by double-digit same-store growth — coupled with increased sales of apparel and sustained growth momentum in online channels.



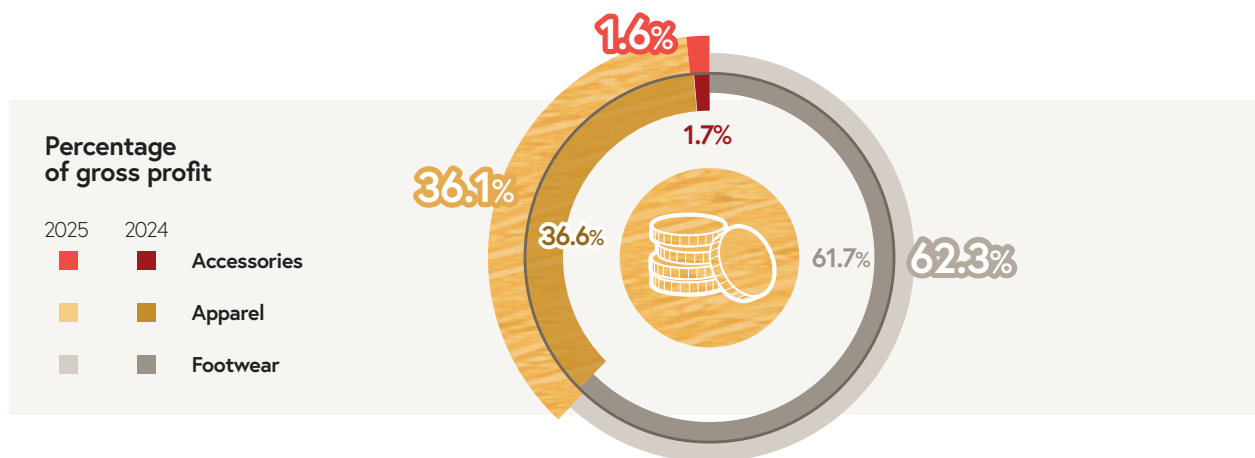
MANAGEMENT DISCUSSION AND ANALYSIS

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

	2025		2024		Change in gross profit (%)	Change in gross profit margin (% point)
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)		
Footwear	3,777.6	44.9	3,619.1	44.9	4.4	-
Apparel	2,186.4	40.1	2,147.5	41.1	1.8	-1.0
Accessories	99.0	35.4	98.8	33.3	0.2	2.1
Total	6,063.0	42.8	5,865.4	43.2	3.4	-0.4



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

	2025		2024		Change in gross profit (%)	Change in gross profit margin (% point)
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)		
Mass market	5,155.5	41.2	5,150.6	41.8	0.1	-0.6
Professional sports	907.5	55.5	714.8	57.2	27.0	-1.7
Total	6,063.0	42.8	5,865.4	43.2	3.4	-0.4

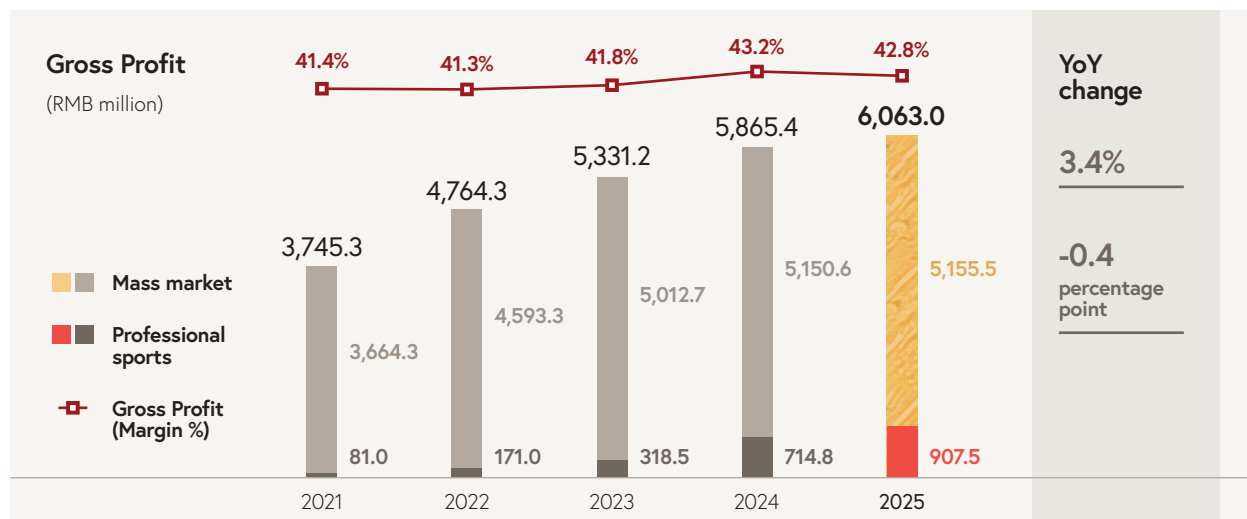
MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Gross Profit and Gross Profit Margin

For the year ended 31 December 2025, the Group's gross profit increased to RMB6,063.0 million, representing a growth of 3.4% from RMB5,865.4 million in 2024, with gross profit margin of 42.8% (2024: 43.2%). The breakdown by brand nature is as follows:

- Mass Market:** Gross profit for the mass market segment grew by 0.1% to RMB5,155.5 million (2024: RMB5,150.6 million), with the gross profit margin of 41.2% (2024: 41.8%). The gross profit growth was mainly contributed by the performance of our e-commerce business. The contraction in gross margin is largely attributable to current headwinds in the physical retail sector. In response to these market conditions, we increased promotional allowances and discount rates for our authorized distributors to support sales volumes.

- Professional Sports:** Gross profit for the professional sports segment rose significantly by 27.0% to RMB907.5 million (2024: RMB714.8 million), with the gross profit margin of 55.5% (2024: 57.2%). The strong retail and online sales contributed to the increase in gross profit. The lower gross profit margin was due to higher contribution of apparel sales which had a lower gross profit margin than footwear.



Other Income and Gains, Net

For the year ended 31 December 2025, the Group's other income and gains totaled approximately RMB517.4 million, increased from RMB395.6 million in 2024. This improvement was primarily due to (i) increase in government grant of RMB301.1 million (2024: RMB261.3 million), (ii) increase in royalty income of RMB51.5 million (2024: RMB37.0 million), (iii) increase in the fair value gain on the derivative component of convertible bonds of RMB22.0 million (2024: RMB3.4 million) and (iv) increase in the fair value gain on the financial assets at fair value through profit or loss of RMB31.7 million (2024: Nil). Partially offsetting these positive drivers was the absence of a gain on the disposal of investment properties in 2025, compared to a gain of RMB20.0 million recorded in the prior year.

Selling and Distribution Expenses

For the year ended 31 December 2025, the Group's selling and distribution expenses amounted to approximately RMB3,194.9 million, representing 22.6% of the Group's total revenue (2024: RMB2,867.9 million, representing 21.1% of the Group's total revenue).

The selling and distribution expenses were mainly represented by the advertising and promotional costs, amounted to RMB1,825.3 million (2024: RMB1,813.1 million), which represented more than half of the selling and distribution expenses. The increase in the selling and distribution expenses was mainly attributed to the platform fees and logistics cost associated with higher e-commerce sales.

MANAGEMENT DISCUSSION AND ANALYSIS

General and Administrative Expenses

For the year ended 31 December 2025, the Group's general and administrative expenses amounted to approximately RMB1,366.8 million, representing 9.7% of the Group's total revenue (2024: RMB1,427.6 million, representing 10.5% of the Group's total revenue).

The decrease in general and administrative expenses was primarily due to the decrease in staff costs and legal and professional fees, which was partially offset by higher share-based payment expenses due to the new share award scheme.

Additionally, the Group made provisions for trade receivables and inventory. Impairment of trade receivables amounted to RMB26.1 million, compared to RMB22.2 million in 2024. Inventory provisions increased to RMB6.8 million from RMB1.4 million in 2024.

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

	2025		2024		Change in	
	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)	operating profit/(loss) (%)	operating profit/(loss) margin (% point)
Mass market	1,919.7	15.3	1,954.5	15.9	-1.8	-0.6
Professional sports	114.5	7.0	78.2	6.3	46.4	0.7
	2,034.2	14.4	2,032.7	15.0	0.1	-0.6
Corporate	(15.4)	N/A	(67.2)	N/A	-77.1	N/A
Total	2,018.8	14.3	1,965.5	14.5	2.7	-0.2

For the year ended 31 December 2025, the Group's operating profit grew by 2.7% to RMB2,018.8 million (2024: RMB1,965.5 million). This growth was primarily fueled by robust performance within the professional sports segment, though it was partially offset by a decline in operating profit from the mass market segment. Consequently, the overall operating profit margin experienced a slight contraction, softening to 14.3% from 14.5% in the prior year.

- Mass Market:** The operating profit for the mass market segment decreased by 1.8% to RMB1,919.7 million (2024: RMB1,954.5 million), with the operating profit margin decreasing to 15.3% from 15.9%. This decrease was primarily driven by a lower gross margin coupled with rising operational expenses, notably logistics costs and platform fees. However, this margin compression was partially mitigated by reductions in staff costs and professional fees.
- Professional Sports:** The professional sports segment saw a significant increase in operating profit, rising by 46.4% to RMB114.5 million (2024: RMB78.2 million), with the operating profit margin increasing to 7.0% from 6.3%. This improvement was mainly driven by the offline and online sales growth and effective cost management.
- Corporate:** The corporate segment reported an operating loss of RMB15.4 million, decreased 77.1% from the loss of RMB67.2 million in 2024. The reduction in loss was primarily due to an increase in fair value gain on the derivative component of convertible bonds and fair value gain on financial assets at fair value through profit or loss, which was partially offset by the increase in share-based payment expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Finance Costs

For the year ended 31 December 2025, the Group's net finance costs slightly increased to RMB99.8 million from RMB97.5 million in 2024. This increase was primarily due to the increase in interest expense on convertible bonds of RMB68.9 million (2024: RMB25.9 million) following the issuance of the 2024 Xtep Convertible Bonds on 1 November 2024 and 2025 Xtep Convertible Bonds on 20 February 2025 and the decrease in bank interest income of RMB23.3 million (2024: RMB37.2 million). The increase was partially offset by the lower interest expenses on bank loans, which amounted to RMB34.2 million (2024: RMB85.3 million). The reduction in bank interest expenses was driven by a lower borrowing balance (including repaying all HK\$ denominated syndicated loan strategically) and a decrease in interest rate. Additionally, the interest expenses on discounted bills receivable decreased to RMB8.4 million from RMB11.8 million.

Income Tax Expenses

For the year ended 31 December 2025, the Group incurred an income tax expense of RMB601.8 million, representing an increase of RMB5.9 million or 1.0% compared to RMB595.9 million in 2024. Despite the slight increase in income tax expense, the Group's effective tax rate improved, decreasing to 30.5% from 31.3% in the prior year. It included profit tax provision relating to operating companies, which amounted to RMB448.2 million (2024: RMB431.7 million). Also, there were an under-provision of income tax of RMB14.4 million (2024: RMB4.2 million), and a deferred tax of RMB139.2 million (2024: RMB160.0 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

For the period from 1 January 2024 to 30 November 2024 (i.e. the date of completion of the KP Disposal), the loss from a discontinued operation amounted to RMB67.1 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.

PROFIT FOR THE YEAR

Profit Attributable to Ordinary Equity Holders and Net Profit Margin

For the year ended 31 December 2025, the Group's net profit attributable to equity holders was RMB1,371.6 million, representing an increase of RMB133.2 million or 10.8% compared to RMB1,238.4 million in 2024. The net profit margin improved to 9.7%, up from 9.1% 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.

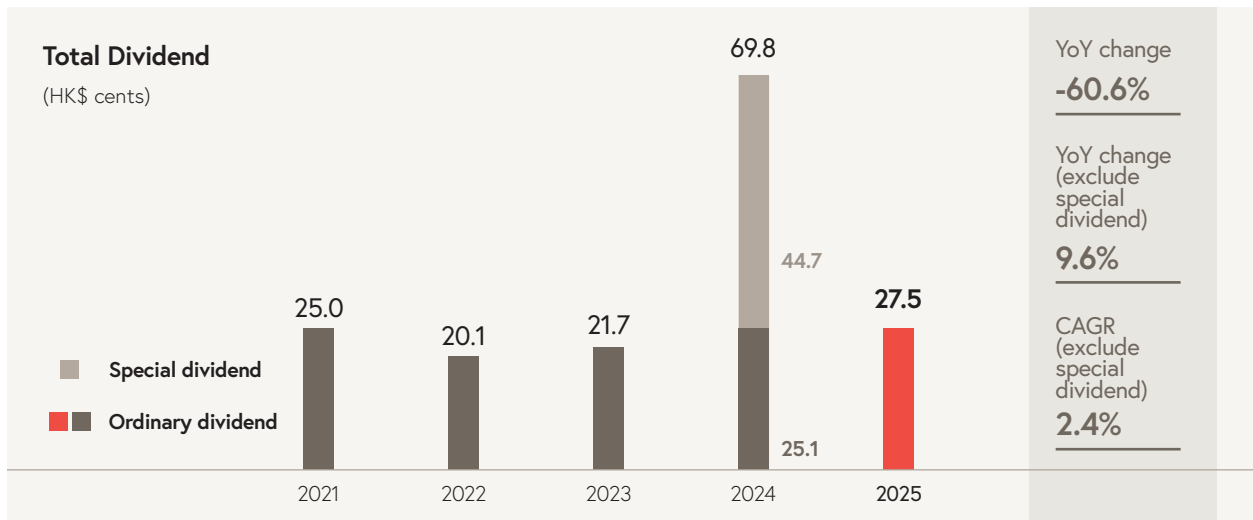
Dividend

The Board continued to maintain high shareholders' dividend returns and has therefore resolved to distribute a final dividend of HK9.5 cents per Share (2024: HK9.5 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 HK18.0 cents (2024: HK15.6 cents) per Share payable in cash with a scrip dividend alternative, the total dividend for 2025 is HK27.5 cents (2024: HK69.8 cents, including the special dividend of HK44.7 cents), equivalent to a dividend payout ratio of 50.4% (2024: 138.2%). When excluding the special dividend, the dividend payout ratio of 2024 stands at 50.0%.

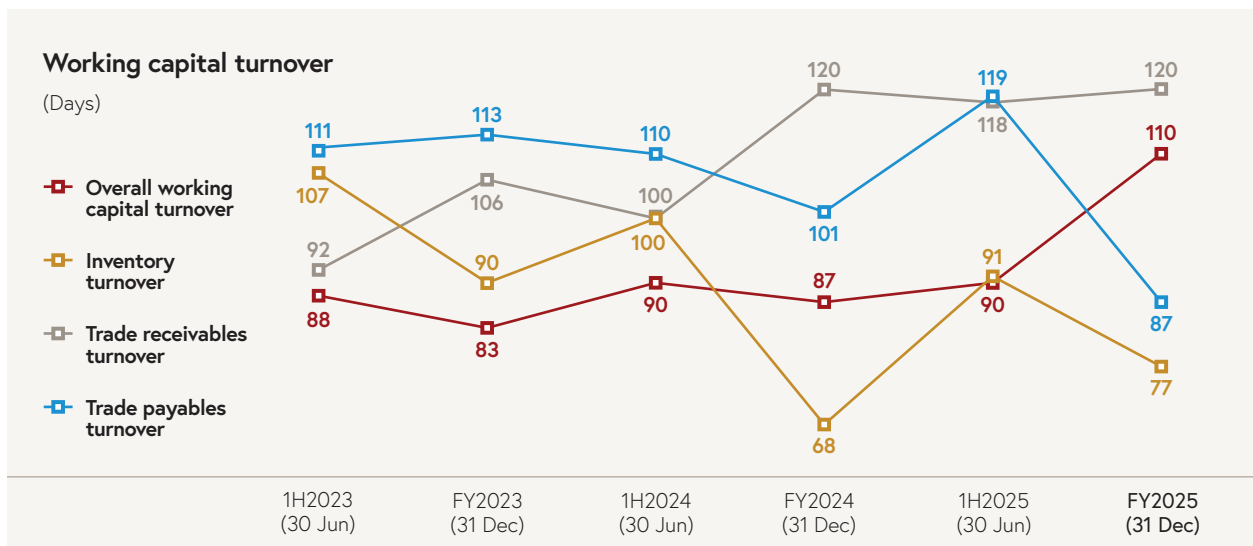
MANAGEMENT DISCUSSION AND ANALYSIS



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 2025, the Group's overall working capital turnover days was 110 days (2024: 87 days).



MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December

WORKING CAPITAL TURNOVER DAYS	2025 Days	2024 Days	Changes Days
Inventories	77	68	9
Trade receivables	120	120	–
Trade payables	87	101	-14
Overall working capital turnover days	110	87	23

Working Capital Turnover Days

For the year ended 31 December 2025, the Group's working capital turnover days increased by 23 days. The turnover days of 2025 and 2024 were represented for continuing operations only:

- Inventories turnover days increased by 9 days to 77 days (2024: 68 days).
- Trade receivables turnover days remained stable at 120 days (2024: 120 days).
- Trade payables turnover days decreased by 14 days to 87 days (2024: 101 days).

NOTE: Full year inventory turnover days is equal to the average of opening and closing inventory in 2025 (or opening and closing inventory of continuing operations of the year in 2024) divided by costs of sales and multiplied by 365 days (or 366 days in 2024).

Full year trade receivables turnover days is equal to the average of opening and closing trade receivables in 2025 (or opening and closing trade receivables of continuing operations of the year in 2024) divided by revenue and multiplied by 365 days (or 366 days in 2024).

Full year trade payables turnover days is equal to the average of opening and closing trade payables in 2025 (or opening and closing trade payables of continuing operations of the year in 2024) divided by cost of sales and multiplied by 365 days (or 366 days in 2024).

Bills Receivable and Bills Payable

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

As of 31 December 2025, the bills receivable amounted to approximately RMB411.0 million (2024: RMB414.5 million). For the year ended 31 December 2025, the number of turnover days of bills receivable was 11 days (2024: 12 days).

As of 31 December 2025, there was no bills payable balance (2024: RMB100.0 million). For the year ended 31 December 2025, the number of turnover day of bills payable was 2 days (2024: 5 days).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As of 31 December 2025, the Group's cash and cash equivalents amounted to approximately RMB3,457.1 million (31 December 2024: RMB2,979.2 million), representing an increase of approximately RMB477.9 million. The increase in the Group's cash and cash equivalents is summarized as follows:

	Year ended 31 December	
	2025 RMB Million	2024 RMB Million
Cash generated from operating activities	1,475.1	1,755.7
Income tax paid	(503.4)	(469.0)
Net interest expenses paid	(19.3)	(58.6)
Net cash flows from operating activities	952.4	1,228.1
Increase in term deposits	(154.0)	–
Decrease in pledged bank deposits	363.3	271.5
Increase in investment in associates	(11.2)	(26.6)
Increase in prepayments for investment in an associate	–	(124.5)
Increase in property, plant and equipment	(264.1)	(316.8)
Increase in prepaid land lease	–	(77.0)
Net proceeds from placing of shares	455.7	–
Net proceeds from issue of 2025 Xtep Convertible Bonds	461.3	–
Proceeds from disposal of treasury shares	228.9	–
Refund from trustee upon expiry of 2014 Share Award Scheme	68.4	–
Acquisition of Merrell Brand and Saucony Brand	–	84.5
Disposal of subsidiaries	–	755.3
Dividends paid	(610.0)	(1,443.6)
Net repayment of bank borrowings	(919.3)	(651.3)
Others	(93.5)	(15.0)
Net increase/(decrease) in cash and cash equivalents	477.9	(315.4)

Net cash flows from operating activities

For the year ended December 31, 2025, the Group's net cash flows from operating activities amounted to RMB952.4 million (2024: RMB1,228.1 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 RMB1,707.0 million as at 31 December 2025 (2024: RMB984.7 million). The breakdown is as follows:

	2025 RMB Million	2024 RMB Million
Cash and cash equivalents	3,457.1	2,979.2
Bank deposits	681.0	890.3
Total bank deposits and bank balances	4,138.1	3,869.5
Less: Bank borrowings	(1,096.8)	(2,028.0)
Less: Convertible bonds	(1,334.3)	(856.8)
Net cash and cash equivalents	1,707.0	984.7

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 2025, the Group's total assets amounted to RMB16,898.8 million (31 December 2024: RMB15,968.1 million), comprising non-current assets of RMB4,676.5 million and current assets of RMB12,222.3 million. Total liabilities stood at RMB6,696.3 million (31 December 2024: RMB7,265.6 million), with non-current liabilities of RMB1,545.1 million and current liabilities of RMB5,151.2 million. The Group's total equity was RMB10,202.5 million, increased from RMB8,702.6 million as of 31 December 2024. Net assets per Share as at 31 December 2025 were approximately RMB3.64 (2024: RMB3.24), representing an increase of 12.3%.

The Group's current ratio, calculated as current assets divided by current liabilities, stood at 2.4x (31 December 2024: 2.1x), 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 14.4% as of 31 December 2025 (31 December 2024: 18.1%).

Impairment of Trade Receivables

During the year ended 31 December 2025, the Group recorded impairment of trade receivables amounted to RMB26.1 million (2024: RMB22.2 million).

Provision for Inventories

During the year ended 31 December 2025, the Group recorded a provision for inventories amounted to RMB6.8 million (2024: RMB1.4 million).

Commitments

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

Contingent Liabilities

As of 31 December 2025, 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 2025.

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

During the year, the Group did not have any significant investments or acquisitions or sales of subsidiaries. No plans have been authorized by the Board for any material investments or additions of capital assets as at the date of this annual report.

Issue of 2025 Xtep Convertible Bonds

On 20 February 2025, the Company issued convertible bonds in the aggregate principal amount of HK\$500,000,000 (the "2025 Xtep Convertible Bonds") pursuant to the general mandate granted to the Board by the Shareholders on 3 May 2024. The 2025 Xtep 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 Xtep 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 Xtep Convertible Bonds is HK\$6.325 per conversion share. The 2025 Xtep Convertible Bonds will mature on 18 February 2026. The 2025 Xtep Convertible Bonds have been listed on the Vienna Stock Exchange. For details, please refer to the announcements of the Company dated 10 February 2025 and 20 February 2025.

The closing price of the shares of the Company on 7 February 2025, being the date on which the terms of the subscription of the 2025 Xtep Convertible Bonds were fixed, was HK\$6.07.

Upon full conversion of the 2025 Xtep Convertible Bonds at the initial 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 Xtep Convertible Bonds were approximately HK\$492 million. The Group intended to apply the net proceeds from the issue of the 2025 Xtep 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.

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.

Human Resources

As of 31 December 2025, the Group had approximately 8,800 employees (31 December 2024: 8,900 employees), of which 58.8% was production employees (31 December 2024: 57.4%). 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

ELEVATING INVESTOR RELATIONS TO A STRATEGIC PARTNERSHIP

In an environment shaped by macroeconomic uncertainty and intensifying competition within the consumer sector, we go beyond the efficient execution of core investor relations responsibilities to elevate the function's strategic impact. We actively synthesize real-time feedback from the investment community, translating shareholder perspectives into actionable insights that guide the C-suite in shaping capital allocation priorities and corporate strategies. By cultivating meaningful relationships with long-term investors and ensuring a thorough understanding of our competitive strengths, we work to reduce our cost of capital and support a valuation that reflects our future potential. This strategic alignment not only reinforces shareholder confidence but also enhances the financial flexibility essential to accelerating sustainable business growth.



▲ Annual general meeting in May 2025

CULTIVATING INVESTOR CONFIDENCE THROUGH INTEGRATED APPROACHES

Our investor relations efforts are closely aligned with the company's business development objectives, enabling us to effectively communicate our strategic direction and growth potential to the investment community. Following the launch of the Xtep Innovation Center and new Xtep flagship store in Xiamen, we showcased our robust R&D and retail management capabilities through reverse roadshows, which attracted the participation of over 80 investors and analysts.

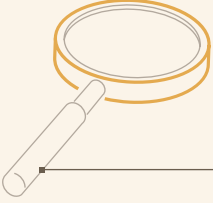
With strong backing from senior management and the Board of Directors, our investor relations program is designed to facilitate timely communication and reinforce investor confidence. Our senior management and investor relations team actively engaged both local and overseas investors through a variety of physical and online platforms, maintaining an ongoing two-way dialogue and delivering information that is comprehensive, accurate, and timely. Key financial updates — including our March and August results announcements and quarterly operational reports — were communicated through physical conferences, live webcasts, and teleconferences. To ensure easy and instant access from any devices, all related financial information, presentations, and webcast recordings were promptly updated and made available on our corporate website.



▲ 2024 annual results investor presentation in March 2025

INVESTOR RELATIONS REPORT

CLOSE ENGAGEMENT WITH INSTITUTIONAL INVESTORS




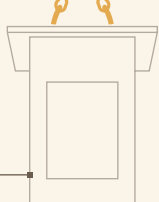
51
Analyst coverage

408
Investor meetings




3
Financial results briefings and annual general meeting

29
Investor conferences



39
Non-deal roadshows

36
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 Chinese Mainland, Hong Kong, Japan, Singapore, Korea, Thailand, Malaysia and Taipei. These locations host a significant portion of our institutional investors.

List of investor conferences attended during the year

Date	Event	Format
Jan 2025	Goldman Sachs 2025 APAC Consumer & Leisure Corporate Day	Physical — Hong Kong
May 2025	BofA Securities 2025 China Conference	Physical — Shenzhen
May 2025	GF Securities Company Conference 2025	Virtual
May 2025	Founder Securities Strategy Conference	Virtual
May 2025	UBS Asian Investment Conference 2025	Physical — Hong Kong
May 2025	CITIC Securities Capital Market Forum 2025	Physical — Shanghai
Jun 2025	Goldman Sachs 2025 APAC Consumer & Leisure Corporate Day	Physical — Hong Kong
Jun 2025	Nomura Investment Forum Asia 2025	Physical — Singapore
Jun 2025	Guotai Haitong Securities 2025 Mid Strategy Conference	Physical — Shanghai
Jun 2025	Changjiang Securities Strategy Conference	Virtual
Jun 2025	CLSA New York Conference	Physical — New York
Jun 2025	TF Securities Strategy 2025 Mid Strategy Conference	Virtual
Sept 2025	Everbright Securities 2025 Autumn Winter Conference	Virtual
Sept 2025	2025 Goldman Sachs Asia Leaders Conference	Physical — Hong Kong
Sept 2025	China Merchant Securities Hong Kong Consumer Day	Virtual
Sept 2025	TF Securities Strategy Conference	Physical — Shenzhen
Sept 2025	Sealand Securities Strategy Conference	Virtual
Sept 2025	Shenwan Hongyuan Securities 2025 Autumn Winter Conference	Virtual
Sept 2025	CITIC CLSA Investors' Forum	Physical — Hong Kong
Oct 2025	CMBI Consumer Day	Virtual
Nov 2025	Bernstein China Forum: The Next Winners	Physical — Hong Kong
Nov 2025	Huatai Securities 2026 Annual Investment Summit	Virtual
Nov 2025	Daiwa Investment Conference Hong Kong 2025	Physical — Hong Kong
Nov 2025	CITIC Securities 2026 Capital Market Annual Conference	Physical — Shenzhen
Nov 2025	CICC 2025 Annual Investment Strategy Conference	Physical — Beijing
Nov 2025	Nomura China Investor Forum 2025	Physical — Shenzhen
Nov 2025	2026 Zheshang Securities Annual Investor Strategy Conference	Physical — Shanghai
Nov 2025	Shenwan Hongyuan 2026 Capital Market Annual Conference	Physical — Shanghai
Nov 2025	UBS Asian Consumer Corporate Day 2025	Physical — Hong Kong

INVESTOR RELATIONS REPORT

Reverse roadshows

In 2025, we hosted 36 reverse roadshows to provide analysts and investors with deeper insights into our operations at the Xiamen Headquarters and Xtep Innovation Center, while also highlighting the enhanced retail experiences at our flagship stores and Xtep Running Clubs.



- ▲ Site visit to our Xtep Innovation Center in Xiamen in September 2025
- ◀ Site visit to our Xtep flagship store in Xiamen in September 2025

MAJOR AWARDS AND RECOGNITION

2025 Extel All-Asia Executive Team Survey

- Best CEO — Overall (Sell-side) — 3rd place
- Best CFO — Overall (Combined) — 3rd place
- Best CFO — Overall (Sell-side) — 3rd place
- Best IR Professional — Overall (Sell-side) — 3rd place
- Best IR Team — Overall (Sell-side) — 3rd place
- Best IR Program — Overall (Sell-side) — 3rd place
- Best ESG Program — Overall (Sell-side) — 3rd place
- Best Company Board — Overall (Sell-side) — 3rd place

2025 All-Asia Executive Team



2025 IR Impact Awards — Greater China

- Best Investor Targeting Strategy
- Best Sell-side Management



Corporate Governance Asia 15th Asian Excellence Award 2025

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



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 2025:
 2,806,072,356
 Market capitalization as at 31 December 2025:
 HK\$14,900,244,210
 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 2025:

- Interim: RMB34.55 cents
- Final: RMB51.35 cents

Dividend per Share for 2025:

- Interim: HK18.0 cents
- Final: HK9.5 cents
- Full year total: HK27.5 cents

Key dates for investors

26 March 2026	2025 annual results announcement
5 to 8 May 2026	Closure of register of members (for determination of shareholders who are entitled to attend and vote at annual general meeting) (both days inclusive)
8 May 2026	Annual general meeting
12 May 2026	Dividend ex-entitlement for Shares
14 to 18 May 2026	Closure of the register of members (for determination of final dividend entitlement) (both days inclusive)
30 June 2026	Proposed payment of 2025 final dividend

Registrar & Transfer Offices

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

Enquiries

For information about the Group, please visit our corporate website:

www.xtep.com.hk

or contact our Investor Relations Department:

Unit A, 27/F, Tower A
 Billion Centre, 1 Wang Kwong Road
 Kowloon Bay, Kowloon, Hong Kong
 Tel: (852) 2152 0333
 Fax: (852) 2153 0330
 Investors enquiries: ir@xtep.com.hk
 Media enquiries: media@xtep.com.hk
 General enquiries: general@xtep.com.hk

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Ding Shui Po (丁水波), aged 55, 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 53, 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 chain 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 a 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, the National March 8th Red-Banner Pacesetter in 2025 and other recognitions.

Mr. Ding Ming Zhong (丁明忠), aged 49, 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 13th 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 48, is an executive Director of the Company. He primarily focuses on the Group's business development and strategies. 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 70, 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 57, 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 has also been an independent non-executive director of Smart Globe Holdings Limited (stock code: 1481) since July 2023. He is a Fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute (UK & Ireland).



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 60, is an independent non-executive Director and the chairlady of the Audit Committee. Dr. Chan has more than 28 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. 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 WebX 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 33, 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 formulating and implementing the Group's multi-brand strategy, leading the 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.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Cheung Yan Kiu (蔣鑫橋), aged 37, is the company secretary and authorized representative of the Company as well as the financial controller of the Group. He is responsible for the overall 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 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 in Accounting and Finance degree 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 2025, 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 2025.

CULTURE AND STRATEGIC PLANNING

Passionate, innovative, efficient and collaborative 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-notch 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.

CORPORATE GOVERNANCE REPORT

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:

	Length of Tenure	First appointment date
Executive Directors		
Mr. Ding Shui Po (<i>Chairman and Chief Executive Officer</i>)	18 years	24 January 2008
Ms. Ding Mei Qing	18 years	24 January 2008
Mr. Ding Ming Zhong	18 years	24 January 2008
Mr. Yeung Lo Bun (with effect from 18 March 2025)	1 year	18 March 2025
Non-Executive Director		
Mr. Tan Wee Seng	4 years	17 March 2022
Independent Non-Executive Directors		
Dr. Bao Ming Xiao	13 years	21 December 2012
Dr. Wu Ka Chee, Davy	4 years	7 May 2021
Dr. Chan Yee Wah	4 years	17 March 2022

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.

Mr. Yeung Lo Bun was appointed as an executive Director with effect from 18 March 2025. In compliance with Rule 3.09D of the Listing Rules, he obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 14 March 2025 and he has confirmed he understood his obligations as a Director of the Company.

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.

CORPORATE GOVERNANCE 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.

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 2025 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	8/8	1/1
Ms. Ding Mei Qing	8/8	1/1
Mr. Ding Ming Zhong	8/8	1/1
Mr. Yeung Lo Bun (appointed on 18 March 2025)	6/6	1/1
Non-Executive Director		
Mr. Tan Wee Seng	8/8	1/1
Independent Non-Executive Directors		
Dr. Bao Ming Xiao	6/8	0/1
Dr. Wu Ka Chee, Davy	8/8	1/1
Dr. Chan Yee Wah	8/8	1/1

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.

CORPORATE GOVERNANCE REPORT

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. Each Director is invited to provide his/her views on the performance of the Board and any suggestions for improving the board process. The results of the evaluation are reviewed by the Nomination Committee and submitted to the Board.

CORPORATE GOVERNANCE REPORT

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.

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.

In compliance with Rule 3.09H, Mr. Yeung Lo Bun has completed the required continuous professional development under Rule 3.09H.

CORPORATE GOVERNANCE REPORT

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 2025:

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

CORPORATE GOVERNANCE REPORT

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 a 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.

CORPORATE GOVERNANCE REPORT

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.

During the year ended 31 December 2025, the Audit Committee mainly performed the following duties:

- reviewed the Group's audited annual results for the year ended 31 December 2024 and the unaudited interim results for the six months ended 30 June 2025, 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 2025, 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 2025.

CORPORATE GOVERNANCE REPORT

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 2025, 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 2025;
- assessed the performance of executive directors;
- approving the terms of executive Directors' service contracts; and
- reviewing matters relating to share schemes under Chapter 17 of the Listing Rules, including the adoption of the 2025 Share Schemes and the grant of awards under the 2025 Share Award Scheme.

During the year ended 31 December 2025, two 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	2/2
Ms. Ding Mei Qing	2/2
Dr. Bao Ming Xiao	2/2

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, Dr. Chan Yee Wah and Dr. Wu Ka Chee, Davy, independent non-executive Directors. 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.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2025, 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;
- reviewed the structure, size and composition of the Board during the year of 2025 and considered that the Board consists of a diverse mix of members and has provided a good balance of skills and experience appropriate to the business needs of the Group;
- reviewed the Diversity Policy and the Nomination Policy and considered they remain effective and appropriate for the Company; and
- assessed each Director's time commitment and contribution to the Board.

In conducting the assessment, the Nomination Committee applied a consistent set of criteria to all Directors and adopted a holistic approach, taking into account, among others, their attendance and participation at Board and committee meetings, preparation for meetings, involvement in Board's discussions, familiarity with the Group's business and strategy, professional qualifications and work experience, external directorships or offices in other companies or organizations and/or other major commitments, and any other factors relevant to their character, integrity, independence and experience.

Where the assessment involved a member of the Nomination Committee, such member abstained from the relevant discussion and decision-making to ensure the objectivity and impartiality of the assessment process. Based on the above assessment, the Nomination Committee considered that all Directors had devoted sufficient time to the Company's affairs and had made effective contributions to the Board, and were able to properly discharge their duties and responsibilities having regard to their professional background, experience and external commitments.

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.

CORPORATE GOVERNANCE REPORT

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 2025, two meetings were 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	2/2
Mr. Tan Wee Seng (ceased on 18 August 2025)	2/2
Dr. Wu Ka Chee, Davy	2/2
Dr. Chan Yee Wah (designated on 18 August 2025)	0/0

CORPORATE GOVERNANCE REPORT

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.

During the year and up to the date of this report, the Nomination Committee considered that the Board is sufficiently diverse and has provided a good balance of skills and experience appropriate to the business needs of the Company.

The Nomination Committee will review the Board Diversity Policy and the measurable objectives (if any) at least annually, and as appropriate, to ensure the continued effectiveness of the Board. During the period from the Listing Date up to the date of this annual report, the Nomination Committee considered that the Board Diversity Policy remain effective and appropriate for the Company.

Workforce diversity

The Board adopted the workforce diversity policy which promotes a diversified and inclusive working environment where individual differences are respected and all employees are treated with dignity. Key components include adhering to non-discriminatory employment practices and procedures, encouraging collaboration among the workforce, providing training and development opportunities and regularly assessing the policy's effectiveness.

As at 31 December 2025, the Group had a total workforce (excluding senior management) of approximately 8,800 employees, of which 44% are males, and 56% 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.

CORPORATE GOVERNANCE REPORT

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, half 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 2025, one meeting was 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	1/1
Mr. Ding Shui Po	1/1
Ms. Ding Mei Qing	1/1
Dr. Chan Yee Wah	1/1

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The Company has re-appointed Ernst & Young as its external auditor during the year ended 31 December 2025. 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	5,183,000
Other services	48,000
Total	6,112,000

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 2025, 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 2025. 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. The Board also engages qualified independent third parties to evaluate the risks in the operations and to review the Group's existing risk management strategy, metrics and targets as well as internal control systems.

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 2025.

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 2025.

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



CORPORATE GOVERNANCE REPORT

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 2025, the Board and the Audit Committee conducted an annual review of the effectiveness of the Group's risk management and internal control systems covering all major operations of the Group. The review was carried out through discussions with management and with the support of the risk management and internal audit department. As part of the review process, the risk management and internal audit department reported key findings arising from its risk management and internal control reviews to the Audit Committee. The Audit Committee, in turn, reported its observations and recommendations to the Board, which oversees the follow-up and implementation of the agreed improvement actions to ensure the ongoing effectiveness of the Group's risk management and 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 conducted regular reviews of the effectiveness of its risk management and internal control systems during the year ended 31 December 2025. In this regard, the Board and the Audit Committee discussed the risk management and internal control systems with management, including the adequacy of resources, staff qualifications and experience, training programmes and budgets of the Group's accounting, internal audit and financial reporting functions, to ensure that management had properly discharged its responsibilities in maintaining effective systems. The Board and the Audit Committee also considered the scope and quality of management's ongoing monitoring of risks and internal controls, as well as the work performed by the risk management and internal audit department. Based on these reviews, the Board and the Audit Committee were of the view that the resources, qualifications and experience of the relevant staff, together with the related training programmes and budgets, were reasonably adequate, and that the risk management and internal audit department and management were competent to perform their respective roles and responsibilities. Accordingly, the Board and the Audit Committee considered that the Group has an adequate workforce to meet its accounting and financial reporting obligations and to comply with the Listing Rules, and that the monitoring results were appropriately communicated to facilitate the assessment of the effectiveness of the Group's risk management and internal control systems.

The Company has also engaged an external internal control professional adviser (the "Internal Control Adviser") to conduct an enterprise risk assessment and internal control assessment of selected subsidiaries of the Group during the year ended 31 December 2025. The internal control assessment focused on key operational-level control practices, including procurement and supplier management, accounts payable and payment processing, and e-commerce sales and collection management. The enterprise risk assessment covered major risk categories, including strategic risks, market risks, financial risks, operational risks, compliance risks and ESG-related risks.

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, the management and the Internal Control Adviser. 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. Neither significant changes in the risk profile of the Group nor significant areas of concern which might affect shareholders were identified.

Based on the annual review, 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 2025. The Group therefore confirms that the risk management and internal control systems of the Company are appropriate and effective in achieving the purposes set out in Principle D.2 of the Corporate Governance Code, namely managing risks to achieve strategic objectives and providing reasonable and not absolute assurance against material misstatement or loss.

CORPORATE GOVERNANCE REPORT

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. A comprehensive review is conducted at least annually, with all findings and recommendations for improvement reported to the Board. 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 2025, the risk management and internal audit department implemented the internal audit functions and reports findings regularly to the Audit Committee, and made recommendations based on the findings to the Board. Specifically, the risk management and internal audit department reviewed the audited financial statements of the Company for the year ended 31 December 2024 and the unaudited interim financial statements of the Company for the six months ended 30 June 2025 with recommendations to the Board for approval; reviewed reports on the Group's risk management and internal control systems; and engaged in discussions with management and the external auditors on the accounting policies and practices which may affect the Group and the financial reporting matters. There were no material risk management or internal control deficiencies identified during the year ended 31 December 2025.

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 2025 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 confidentiality.

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 2025.

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

There was no change in the constitutional documents of the Company during the year. The latest version of the 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. Shareholders' questions not fully answered at general meetings will be followed up by the Investor Relations Department or other relevant departments, as appropriate. 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.

CORPORATE GOVERNANCE REPORT

Shareholder Engagement

During the year ended 31 December 2025, an annual general meeting of the Company was held on 28 April 2025 ("2025 AGM"). Notices, circulars and proxy forms in relation to the AGM were despatched to Shareholders in accordance with the Listing Rules, and the poll results were published on the websites of the Company and HKEX. The chairman of the Board as well as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee were available at the AGM to meet with the Shareholders.

The Company also maintained ongoing communication with Shareholders through the regular publication of announcements, circulars, interim and annual reports and monthly returns on the websites of the Company and HKEX throughout 2025. In addition, the Company attended conferences, roadshows and media interviews to keep the Shareholders and potential investors informed of the latest development of the Group. The head of investor relation will be the primary contact point for communications with investors and analysts.

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.

The following factors will be taken into account for determining whether to declare dividend and the amount of dividend to be declared:

- the Group's actual and expected financial results;
- the external economic and market situation;
- the capital expenditure and operating requirements of the Group;
- the Company's liquidity position; and
- any other factors that the Board considers to be applicable from time to time.

After taking into account the dividend policy of the Company summarised above, the Board proposed a final dividend of HK9.5 cents per share in respect of the year ended 31 December 2025. The Board confirms that all dividend decisions made were made in accordance with the dividend policy.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2025.

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 2025 are set out in note 1 to the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2025 and the Group's financial position as at that date are set out in the financial statements on pages 92 to 193 of this annual report.

DIVIDENDS

An interim dividend of HK18.0 cents (equivalent to approximately RMB16.4 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. The Board recommended a final dividend of HK9.5 cents (equivalent to approximately RMB8.4 cents) per Share for the year ended 31 December 2025, subject to approval by the Shareholders at the annual general meeting to be held on 8 May 2026. 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 2025, which included the interim dividend and final dividend, amount to HK27.5 cents (equivalent to approximately RMB24.8 cents) per Share and they represented a dividend payout ratio of approximately 50.4%. Details of the dividends for the year ended 31 December 2025 are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2025, 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 RMB3,034.1 million. Details of the reserves of the Company as at 31 December 2025 are set out in note 48 to the financial statements.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 December 2025 amounted to approximately RMB64.9 million.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2025 are set out in note 34 to the financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 December 2025 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 (appointed on 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 a 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. Bao Ming Xiao, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah will retire from the Board by rotation at the forthcoming annual general meeting. Mr. Bao Ming Xiao, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah, being eligible, offer themselves 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 41 to 47 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 2025.

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

As at 31 December 2025, 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	47.17%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust ⁽²⁾ /Beneficial interests ⁽⁴⁾	1,253,656,233	44.68%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust ⁽²⁾ /Beneficial interests ⁽⁵⁾	1,254,386,231	44.70%
Mr. Tan Wee Seng	Beneficial interests ⁽⁶⁾	292,975	0.01%

Notes:

- (1) It was based on 2,806,072,356 issued Shares of the Company as at 31 December 2025.
- (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.

REPORT OF THE DIRECTORS

Save as disclosed above, as at 31 December 2025, 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) Transitional arrangements following KP Disposal

The disposal of KP Global by the Company to Ding Shun Investment Limited was completed on 30 November 2024. 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 42 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). The amount of guarantee fee received by the Company under the aforesaid guarantee arrangement for the year ended 31 December 2025 was US\$7,800 (approximately RMB56,000).

During the year, the guarantee had been released. Accordingly, the guarantee fee agreement had been automatically terminated.

REPORT OF THE DIRECTORS

(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 2025 was RMB6,148,000.

For details of the above continuing connected transactions, please refer to the announcement of the Company dated 2 December 2025.

(B) Lease of premises from HD Century

During the year ended 31 December 2025, 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 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) may, 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 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 to be entered into in the three years ending 31 December 2027 are 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.

REPORT OF THE DIRECTORS

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

During the year ended 31 December 2025, the total value of right-of-use assets related to the leases entered into by the Group with HD Century amounted to RMB9,953,000. 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.

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 A(i), A(ii) and B during the year ended 31 December 2025 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.

REPORT OF THE DIRECTORS

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 2025, 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	44.60%
Wan Xing International Holdings Limited	Interests of controlled corporation ⁽²⁾	1,251,586,231	44.60%
Ding Wang Fortune Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.60%
Guan Hong Development Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.60%
Ming Zhong Family Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.60%
UBS Trustees (BVI) Limited	Trustee ⁽³⁾	1,251,586,231	44.60%
GSUM IV Holdings Limited	Beneficial interests ⁽⁴⁾	169,684,196	6.05%
Hillhouse Focused Growth Fund V, L.P.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.05%
Hillhouse Investment Management, Ltd.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.05%
Pandanus Associates Inc.	Interests of controlled corporation ⁽⁵⁾	167,120,355	5.96%
Pandanus Partners L.P.	Interests of controlled corporation ⁽⁵⁾	167,120,355	5.96%
FIL Limited	Beneficial interest ⁽⁵⁾	167,120,355	5.96%
BlackRock, Inc.	Beneficial interest	163,438,389	5.82%

REPORT OF THE DIRECTORS

Notes:

- (1) It was based on 2,806,072,356 issued Shares of the Company as at 31 December 2025.
- (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.
- (5) Pandanus Associates Inc. controls Pandanus Partners L.P., and Pandanus Partners L.P. controls FIL Limited. Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited are all interested in the 167,120,355 Shares of the Company.

Save as disclosed above, as at 31 December 2025, 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.

SHARE SCHEMES

2025 Share Option Scheme and 2025 Share Award Scheme

Adoption and scheme life

On 28 April 2025 (the "Adoption Date"), the Company approved and adopted by resolutions of the Shareholders the 2025 Share Option Scheme and the 2025 Share Award Scheme (collectively, the "2025 Share Schemes") which involve the issue or grant of new Shares (including treasury shares (if any)) or existing Shares.

The 2025 Share Schemes have a term of ten years commencing on the Adoption Date unless terminated earlier in accordance with the terms of the 2025 Share Schemes.

Purpose

The purpose of the 2025 Share Schemes is to provide incentives to Selected Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees, attract human resources that are valuable to the Group and to give the Selected Participants an opportunity to have a personal stake in the Company and help motivate Selected Participants to optimise their future contributions to the Group.

Participants

Eligible Participants for the 2025 Share Schemes include Employee Participants, Related Entity Participants and Service Provider Participants.

REPORT OF THE DIRECTORS

Total Number of Shares Available for Issue

The total number of Shares which may be issued in respect of all options and awards under the 2025 Share Schemes and other schemes of the Company would be no more than 277,455,907 Shares, representing 10% of the total number of Shares in issue (excluding treasury shares) as at the Adoption Date.

Up to the date of this report, a total of 20,000,000 Shares had been issued under 2025 Share Schemes, representing about 0.7% of the number of Shares in issue on the Adoption Date.

The number of Shares available for future grants to be satisfied by new Shares under the 2025 Share Schemes was 257,455,907 Shares as at 31 December 2025, representing about 9.2% of the number of Shares in issue on 26 March 2026.

Service Provider Sub-limit

The total number of Shares which may be issued in respect of all Options and Awards under the 2025 Share Schemes and other schemes of the Company to Service Provider Participants would be no more than 27,745,590 Shares, representing 1% of the total number of Shares in issue (excluding treasury shares) as at the Adoption Date.

Up to the date of this report, a total of 5,000,000 Shares had been issued under the sublimit applicable to Service Provider Participants under 2025 Share Schemes, representing about 0.2% of the number of Shares in issue on the Adoption Date.

The number of Shares available for future grants to be satisfied by new Shares under the sublimit applicable to Service Provider Participants under the 2025 Share Schemes was 22,745,590 Shares as at 31 December 2025, representing about 0.8% of the number of Shares in issue on 26 March 2026.

Maximum Entitlement of Each Participant

Unless approval by ordinary resolution of Shareholders in general meeting of the Company is obtained with such Selected Participant and his/her close associates (or associates if the Selected Participant is a connected person) abstaining from voting and subject to the Listing Rules including but not limited to rules relating to grant of options/awards to connected persons, the Board cannot grant any Option or Awards ("Triggering Option/Award") to any Selected Participant which, if exercised or vested, would result in that Selected Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him/her in respect of all options and awards under the 2025 Share Schemes and other schemes of the Company granted to him/her in the 12-month period immediately preceding the Grant Date of the Triggering Option/Award to exceed 1% of the number of Shares in issue (excluding any treasury shares) as at that Grant Date.

Acceptance Period

An Option or an Award will be open for acceptance by the Grantee or the Selected Participant during an acceptance period which cannot be longer than 30 business days from the date of the letter of grant.

Option Period

The Option Period of the Options granted cannot be longer than the period prescribed in the Listing Rules from time to time (which is, as at the Adoption Date, not longer than 10 years from the Grant Date).

REPORT OF THE DIRECTORS

Vesting Period

The vesting period for an Option or an Award under the 2025 Share Schemes shall not be less than 12 months. However, to ensure the practicability in fully attaining the purpose of the 2025 Share Schemes, the Board (or the Remuneration Committee where the arrangements relate to the grant of Options/Awards to the Directors and/or senior management of the Company) may in its sole discretion determine the vesting period to be less than 12 months for the Options/Awards to be granted to the Employee Participants under specific circumstances as set out in the 2025 Share Schemes.

Exercise Price or Award Price

Grantees to whom Options shall be granted, are entitled to subscribe for the number of Shares at the exercise price as determined on the Grant Date. The exercise price for the Options shall be paid in full within 14 business days of the notice of exercise of the Option given by the Selected Participant.

The Board will comply with such basis of determination of the exercise price of the Options as set out in the Listing Rules unless otherwise approved or permitted by the Stock Exchange, such exercise price, pursuant to the Listing Rules as at the Adoption Date, shall not be less than the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Grant Date; and (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Grant Date; and (c) the nominal value of a Share.

The Award Price for the Awarded Shares shall be determined by the Board from time to time based on consideration such as the purpose of the Award and the characteristics and the profile of the Selected Participant, which shall be paid upon vesting of the Awarded Shares or at such other time as determined by the Board in its absolute discretion.

Awards and Options Granted During the Year

During the year, no Options had been granted under the 2025 Share Option Scheme.

The Awards granted under the 2025 Share Award Scheme during the year are summarized below:

Date of Grant	Vesting period ends	Award Price	Number of Awarded Shares	Closing price of the Shares on the date of the Award	Fair value per Awarded Shares at Grant Date ^(a)
				HK\$	HK\$
5 September 2025	30 September 2026	–	15,000,000	6.37	6.08
5 September 2025	31 May 2028	–	35,000,000	6.37	5.69

(a) The fair value of the Awarded Shares at the Grant Date during the year ended 31 December 2025 is measured with reference to the binomial model carried out by an independent professional valuer with input of Share's spot price of HK\$6.37 per Share, expected dividend yield of 3.83% and expected volatility of 46.7%. Details of the accounting policy adopted are set out in note 36 to the financial statements.

These Awards were granted to more than 100 Selected Participants. 45,000,000 Awarded Shares were granted to Employee Participants; 5,000,000 Awarded Shares were granted to Service Provider Participants. Among the Awarded Shares granted to Employee Participants, 1,000,000 Awarded Shares were granted to Ms. Ding Lizhi, the chief financial officer and vice president of the Group. Ms. Ding is also the eldest daughter and thus an associate of Mr. Ding Shui Po, an Executive Director and controlling shareholders of the Company.

REPORT OF THE DIRECTORS

Details of Interest in Awards and Options

No Option under the 2025 Share Option Scheme was outstanding as at 31 December 2025.

Details of the interests of the Grantees of Awards under the 2025 Share Award Scheme as at 31 December 2025 are set out below:

Name or category of Grantees	Date of Grant	Vesting period ends	Number of Awarded Shares						Award Price paid	Closing price of the Shares before the vesting date
			Outstanding as at 1 January 2025	Granted during the year	Vested during the year	Forfeited during the year	Lapsed during the year	Outstanding as at 31 December 2025		
									HK\$	HK\$
Ding Lizhi ^(a)	5 September 2025	30 September 2026–31 May 2028	–	1,000,000	–	–	–	1,000,000	–	–
Other Employee Participants	5 September 2025	30 September 2026–31 May 2028	–	44,000,000	–	–	–	44,000,000	–	–
Service Provider Participants	5 September 2025	30 September 2026–31 May 2028	–	5,000,000	–	–	–	5,000,000	–	–

- (a) Ms. Ding Li Zhi, the chief financial officer and vice president of the Group, is also the eldest daughter and thus an associate of Mr. Ding Shui Po, an Executive Director and controlling shareholders of the Company.

The Awards granted are subject to performance-related vesting conditions and clawback mechanism as set out in the terms of the 2025 Share Award Scheme.

Further details of the 2025 Share Schemes are set out in note 36 to the financial statements.

2014 Share Award Scheme

The Company adopted the 2014 Share Award Scheme on 1 August 2014 which expired on 1 August 2024. Following its expiry, the 2014 Share Award Scheme was terminated and no further grant of Shares may be made. During the year, no Share had been granted under the 2014 Share Award Scheme.

The trust period under the trust was also set to expire on 1 August 2024. For the purpose of enabling the trustee of the 2014 Share Award Scheme to continue to hold the any 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 expiry of the 2014 Share Award Scheme, a total of 125,000,000 Shares had been awarded under the 2014 Share Award Scheme, representing about 4.49% of the number of Shares in issue as of the date of expiry of the 2014 Share Award Scheme. None of the grantees of the Shares awarded under the 2014 Share Award Scheme is a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

No Shares was available for being further awarded under the 2014 Share Award Scheme at the beginning and end of the period and the date of this report.

REPORT OF THE DIRECTORS

Details of Interest in Awards

Details of the interests of the grantees of the awards under the 2014 Share Award Scheme as at 31 December 2025 are set out below:

Name or category of grantees	Date of grant	Vesting period ends	Number of Awarded Shares					Outstanding as at 31 December 2025	Award price paid HK\$	Closing price of the Shares before the vesting date HK\$
			Outstanding as at 1 January 2025	Granted during the year	Vested during the year	Forfeited during the year	Lapsed during the year			
			Employees	19 March 2021	31 March 2025–31 March 2027	43,695,000	–			

Further details of the 2014 Share Award Scheme are set out in note 36 to the financial statements.

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

On 6 February 2026, the Company completed the repurchase of 2025 Xtep Convertible Bonds in the aggregate principal amount of HK\$500,000,000. Details of the aforesaid repurchase of 2025 Xtep Convertible Bonds are set out in the section headed "Subsequent Events" below in this report.

During the year ended 31 December 2025, the trustee of the 2014 Share Award Scheme also disposed of certain Shares held by it on the market upon the expiry of the 2014 Share Award Scheme. Please refer to note 35(a) to the financial statements for details.

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 2025 and up to the date of this annual report.

Top-up Placing and Issue of 2025 Xtep Convertible Bonds

On 9 February 2025, the Company, Group Success and UBS AG Hong Kong Branch (the "Placing Agent") entered into a placing and subscription agreement, pursuant to which: (a) Group Success agreed to appoint the Placing Agent to procure, as its agent, purchasers to purchase, or failing which, to purchase itself, an aggregate of 90,909,000 existing Shares (the "Sale Shares") at HK\$5.50 per Share (the "Placing Price") (the "Placing"); and (b) Group Success agreed to subscribe for an aggregate of 90,909,000 new Shares (the "Subscription Shares") at HK\$5.50 per Share (the "Subscription Price") (being the same as the Placing Price) (the "Subscription").

On 9 February 2025, the Company and UBS AG Hong Kong Branch (the "Manager") entered into a convertible bond subscription agreement, pursuant to which the Manager has conditionally agreed to subscribe or procure to subscribe (by itself or through its affiliates or sub-agent) and pay for the 2025 Xtep Convertible Bonds. The issue price of the 2025 Xtep Convertible Bonds shall be 100% of the aggregate principal amount thereof. The initial conversion price of the 2025 Xtep Convertible Bonds was HK\$6.325 per Share, representing a premium of approximately 4.2% over the closing price of HK\$6.07 per Share on 7 February 2025, being the date on which the terms of the subscription of the 2025 Xtep Convertible Bonds shall be fixed. The 2025 Xtep Convertible Bonds shall be issued pursuant to the general mandate granted to the Board by the Shareholders on 3 May 2024.

The closing price of the Shares on 7 February 2025, being the date on which the terms of the Placing and the subscription of the 2025 Xtep Convertible Bonds were fixed, was HK\$6.07 per Share.

Completion of the Placing took place on 12 February 2025; completion of the Subscription and the issue of the 2025 Xtep Convertible Bonds took place on 20 February 2025.

REPORT OF THE DIRECTORS

The Sale Shares and the 2025 Xtep Convertible Bonds were successfully placed by the Placing Agent/Manger to not less than six (6) placees, each of whom (to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries) is independent of the Company and any of its connected persons.

The 2025 Xtep Convertible Bonds were listed on the Vienna Stock Exchange.

The net proceeds from the Subscription and the issue of the 2025 Xtep Convertible Bonds are HK\$985 million.

Based on such net proceeds, the net Subscription Price is therefore approximately HK\$5.42, and assuming the full conversion of the 2025 Xtep Convertible Bonds at the initial conversion price, the net issue price per Shares upon exercise of the 2025 Xtep Convertible Bonds is approximately HK\$6.22.

The Company proposed to use the net proceeds from the Subscription and the issue of the 2025 Xtep 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. Out of the total net proceeds, HK\$620 million has been fully utilized as intended during the year ended 31 December 2025. The remaining HK\$365 million is expected to be fully utilized for the intended purposes in 2026.

ISSUE OF CONVERTIBLE BONDS

2021 Xtep Convertible Bonds

On 9 September 2021, the Company issued convertible bonds in the aggregate principal amount of HK\$500,000,000 (the "2021 Xtep 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 Xtep 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 Xtep Convertible Bonds. The 2021 Xtep Convertible Bonds will mature on the sixth anniversary of the date of issue. The initial conversion price of HK\$10.244 per share represents a premium of approximately 15.4% over the closing price of HK\$8.88 per share as quoted on the Stock Exchange on 11 June 2021, being the last trading day immediately prior to the date of the subscription agreement for the 2021 Xtep Convertible Bonds. For details, please refer to the announcements of the Company dated 15 June 2021 and 9 September 2021.

As of 31 December 2025, the initial conversion price of HK\$10.244 per conversion share had been adjusted to HK\$7.9385 per conversion share. For details, please refer to the announcement of the Company dated 30 October 2025.

Upon full conversion of the 2021 Xtep Convertible Bonds at the conversion price of HK\$7.9385 per conversion share, a maximum of 70,150,398 conversion shares will be issued (based on the maximum quarterly accrued interest of 1.8% interest per annum at the maturity date) representing approximately 2.50% of the issued share capital of the Company on 31 December 2025 and approximately 2.44% of the issued share capital of the Company enlarged by the shares issued upon conversion of outstanding convertible bonds.

REPORT OF THE DIRECTORS

The gross proceeds and net proceeds from the issue of the 2021 Xtep 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 Xtep 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 2025, the principal amount has been adjusted to HK\$539,658,478, the additional amount being the 1.8% interest per annum accrued quarterly since issuance and payable in kind as additional principal amount.

2024 Xtep Convertible Bonds

On 1 November 2024, the Company issued convertible bonds in the aggregate principal amount of HK\$500,000,000 (the "2024 Xtep 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 Xtep 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 Xtep Convertible Bonds, 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. The 2024 Xtep Convertible Bonds will mature on the sixth anniversary of the date of issue. The initial conversion price of HK\$5.50 per share represents a premium of approximately 1.9% over the closing price of HK\$5.40 per share as quoted on the Stock Exchange on 9 May 2024, being the last trading day immediately prior to the date of the subscription agreement for the 2024 Xtep Convertible Bonds. 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 2025, the initial conversion price of HK\$5.50 per conversion share had been adjusted to HK\$5.2323 per conversion share. For details, please refer to the announcement of the Company dated 30 October 2025.

Upon full conversion of the 2024 Xtep Convertible Bonds at the conversion price of HK\$5.2323 per conversion share, a maximum of 117,782,973 conversion shares will be issued (based on the maximum quarterly accrued interest of 3.5% interest per annum at the maturity date) representing approximately 4.20% of the issued share capital of the Company on 31 December 2025 and approximately 4.03% 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 Xtep 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 Xtep Convertible Bonds for funding the redemption of the K-Swiss Convertible Bonds. The net proceeds have been fully utilised as intended in 2024.

As at 31 December 2025, the principal amount has been adjusted to HK\$517,731,030, the additional amount being the 3.5% interest per annum accrued quarterly since issuance and payable in kind as principal amount.

REPORT OF THE DIRECTORS

2025 Xtep Convertible Bonds

Please refer to the section "Top-up Placing and Issue of 2025 Xtep Convertible Bonds" above for details of the issue of the 2025 Xtep Convertible Bonds.

As at 31 December 2025, the initial conversion price of HK\$6.325 per conversion share had been adjusted to HK\$6.01 per conversion share. For details, please refer to the announcement of the Company dated 30 October 2025.

Upon full conversion of the 2025 Xtep Convertible Bonds at the conversion price of HK\$6.01 per conversion share, a maximum of 83,194,675 conversion shares will be issued.

On 6 February 2026, the Company completed the repurchase of 2025 Xtep Convertible Bonds.

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 or any of its subsidiaries during the year ended 31 December 2025.

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.

REPORT OF THE DIRECTORS

During the year ended 31 December 2025, the 2023 Facility had been fully repaid by the Company.

As at 31 December 2025 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 44.60% 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 2.57%, 0.07% 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 2025 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 2025.

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.

REPORT OF THE DIRECTORS

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 2025 is shown on pages 12 to 35.

SUBSEQUENT EVENTS

Repurchase of 2025 Xtep Convertible Bonds

An aggregate principal amount of HK\$500,000,000 of the 2025 Xtep Convertible Bonds has been repurchased on 6 February 2026 which represents 100% of the initial principal amount of the 2025 Xtep Convertible Bonds. The repurchase price represents 100.50 percent of the aggregate principal amount of the 2025 Xtep Convertible Bonds and the accrued and unpaid interest on the 2025 Xtep Convertible Bonds. Following completion of settlement of the repurchase of the 2025 Xtep Convertible Bonds and cancellation thereof, the 2025 Xtep Convertible Bonds were no longer outstanding. The last trading day of the 2025 Xtep Convertible Bonds on the Vienna Stock Exchange was 6 February 2026, and the 2025 Xtep Convertible Bonds were delisted from the Vienna Stock Exchange on or around 10 February 2026.

Issue of 2026 Xtep Convertible Bonds

On 6 February 2026, the Company issued convertible bonds in the aggregate principal amount of HK\$500,000,000 (the "2026 Xtep Convertible Bonds") pursuant to the general mandate granted to the Board by the Shareholders on 28 April 2025. The 2026 Xtep 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 2026 Xtep Convertible Bonds are zero coupon and do not bear interest. The initial conversion price of the 2026 Xtep Convertible Bonds is HK\$6.37 per Share. The initial conversion price of HK\$6.37 per Share represents a premium of approximately 23.93% over the last closing price of HK\$5.140 per share as quoted on the Stock Exchange on 30 January 2026, being the last trading day prior to signing of the subscription agreement. The 2026 Xtep Convertible Bonds will mature on 6 February 2029 and the Company will redeem each 2026 Convertible Bond at 104.59% of its principal amount on 6 February 2029. The 2026 Xtep Convertible Bonds have been listed on the Vienna Stock Exchange. For details, please refer to the announcements of the Company dated 2 February 2026 and 6 February 2026. The net proceeds from the issue of the 2026 Xtep Convertible Bonds were approximately HK\$492 million. Based on such net proceeds and assuming the full conversion of the 2026 Xtep Convertible Bonds at the initial conversion price, the net issue price per conversion share is approximately HK\$6.27. The Company has used the net proceeds from the issue of the 2026 Xtep Convertible Bonds for refinancing the outstanding 2025 Xtep Convertible Bonds.

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.

REPORT OF THE DIRECTORS

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 2.6% (2024: 2.4%) and 12.4% (2024: 11.3%) of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were 4.9% (2024: 4.5%) and 18.5% (2024: 18.2%) of the Group's total purchases, respectively.

At no time during the year ended 31 December 2025, 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 2025, 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

As at 31 December 2025, the Company's share capital comprised 2,806,072,356 ordinary shares of HK\$0.01 each.

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 2025. The actual public float of the Company as at 31 December 2025 was approximately 50.88% of the total issued share capital of the Company.

BANK LOANS

Details of bank loans of the Company and the Group as at 31 December 2025 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, 26 March 2026

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 92 to 193, which comprise the consolidated statement of financial position as at 31 December 2025, 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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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 ("HKSA") as 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"), as applicable to audits of financial statements of public interest entities. We have also 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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter

Impairment assessment of trade receivables

As at 31 December 2025, the Group had gross trade receivables of RMB5,186 million with impairment provision of RMB442 million. Significant judgement and estimates 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 receivable 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.

Provision for inventories

As at 31 December 2025, the Group had gross inventories of RMB1,870 million with the provision of RMB41 million. Because of the fast changing market conditions, significant judgement and estimates 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.

How our audit addressed the key audit matter

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.

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 HKFRS Accounting Standards as 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.

INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSA's, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 (practising certificate number: P05516).

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

26 March 2026

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	14,151,086	13,577,222
Cost of sales		(8,088,044)	(7,711,818)
Gross profit		6,063,042	5,865,404
Other income and gains, net	5	517,384	395,624
Selling and distribution expenses		(3,194,864)	(2,867,906)
General and administrative expenses		(1,366,758)	(1,427,583)
Operating profit		2,018,804	1,965,539
Net finance costs	7	(99,824)	(97,529)
Share of profits of associates		54,434	33,403
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	1,973,414	1,901,413
Income tax expense	10	(601,843)	(595,909)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,371,571	1,305,504
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	11	—	(67,102)
PROFIT FOR THE YEAR		1,371,571	1,238,402
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	13		
— For profit for the year		RMB51.35 cents	RMB48.67 cents
— For profit from continuing operations		RMB51.35 cents	RMB51.30 cents
Diluted			
— For profit for the year		RMB48.18 cents	RMB47.48 cents
— For profit from continuing operations		RMB48.18 cents	RMB50.01 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
PROFIT FOR THE YEAR		1,371,571	1,238,402
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 Chinese mainland		58,620	4,371
Release of exchange differences upon disposal of subsidiaries	39	–	(133,237)
		58,620	(128,866)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements of the Company		(72,725)	57,550
Equity investments designated at fair value through other comprehensive income:			
Changes in fair value	20	21,700	53,244
Income tax effect	32	(3,255)	(6,840)
		18,445	46,404
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods		(54,280)	103,954
Other comprehensive income/(expense) for the year, net of tax		4,340	(24,912)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,375,911	1,213,490

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,759,821	1,669,057
Investment properties	15	7,663	9,074
Right-of-use assets	16(a)	811,882	749,709
Goodwill	17	3,840	3,840
Intangible assets	18	24,534	16,522
Investments in associates	19	635,212	453,310
Equity investments designated at fair value through other comprehensive income	20	303,900	282,200
Prepayments, deposits and other asset	23	77,488	208,308
Financial assets at fair value through profit or loss	31	1,052,228	1,046,111
Term deposits	24	–	300,000
Total non-current assets		4,676,568	4,738,131
CURRENT ASSETS			
Inventories	21	1,828,980	1,595,654
Trade receivables	22	4,744,278	4,596,824
Bills receivable	22	411,000	414,500
Prepayments, deposits, other receivables and other asset	23	1,092,885	1,046,346
Derivative financial instruments	27	7,055	7,233
Pledged bank deposits	24	227,000	590,260
Term deposits	24	454,000	–
Cash and cash equivalents	24	3,457,110	2,979,194
Total current assets		12,222,308	11,230,011
CURRENT LIABILITIES			
Trade payables	25	1,755,816	2,095,441
Bills payable		–	100,000
Other payables and accruals	26	1,821,649	1,661,818
Interest-bearing bank borrowings	28	840,502	1,161,249
Lease liabilities	16(b)	104,703	77,362
Deferred subsidies	33	577	577
Xtep Convertible Bonds	29	452,016	–
Derivative financial instruments	27	49,517	72,982
Tax payable		126,450	113,188
Total current liabilities		5,151,230	5,282,617
NET CURRENT ASSETS		7,071,078	5,947,394
TOTAL ASSETS LESS CURRENT LIABILITIES		11,747,646	10,685,525

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	256,276	866,758
Xtep Convertible Bonds	29	882,345	856,786
Lease liabilities	16(b)	124,345	65,157
Deferred tax liabilities	32	264,128	175,650
Deferred subsidies	33	18,029	18,606
Total non-current liabilities		1,545,123	1,982,957
NET ASSETS		10,202,523	8,702,568
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	34	24,701	23,575
Treasury shares	35	(133,128)	(294,563)
Equity component of convertible bonds		101,998	85,848
Reserves	35	10,208,952	8,887,708
Total equity		10,202,523	8,702,568

Ding Shui Po
Director

Ding Mei Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2025

	Attributable to ordinary equity holders of the Company												
	Notes	Share capital	Treasury shares	Equity component of convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Share award reserve	Exchange fluctuation reserve	Fair value reserve	Retained profits	Non-controlling interests	Total equity
		RMB'000 (note 34)	RMB'000 (note 35)	RMB'000 (note 29)	RMB'000 (note 48)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000	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 interests 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

	Attributable to ordinary equity holders of the Company												
	Notes	Share capital	Treasury shares	Equity component of convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Share award reserve	Exchange fluctuation reserve	Fair value reserve	Retained profits	Total equity	
		RMB'000 (note 34)	RMB'000 (note 35)	RMB'000 (note 29)	RMB'000 (note 48)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000 (note 35)	RMB'000	RMB'000
At 1 January 2025		23,575	(294,563)	85,848	2,224,677	118,615	1,899,941	-	(259,586)	131,550	4,772,511		8,702,568
Profit for the year		-	-	-	-	-	-	-	-	-	1,371,571		1,371,571
Other comprehensive income for the year		-	-	-	-	-	-	-	(14,105)	18,445	-		4,340
Total comprehensive income for the year		-	-	-	-	-	-	-	(14,105)	18,445	1,371,571		1,375,911
Equity-settled share award arrangement, net	36	-	(12,811)	-	-	-	-	46,058	-	-	-		33,247
Awarded shares vested	36	-	883	-	-	-	-	-	-	-	(883)		-
Disposal of treasury shares	35	-	173,546	-	55,358	-	-	-	-	-	-		228,904
2024 final dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(223,404)		(223,404)
2025 interim dividend declared and paid	12	-	-	-	-	-	-	-	-	-	(447,605)		(447,605)
Shares issued in lieu of cash dividend	34	105	-	-	60,923	-	-	-	-	-	-		61,028
Issue of shares	34	838	-	-	454,886	-	-	-	-	-	-		455,724
Issue of shares for share award scheme	34	183	(183)	-	-	-	-	-	-	-	-		-
Issuance of 2025 Xtep Convertible Bonds	29(c)	-	-	16,150	-	-	-	-	-	-	-		16,150
Transfer to statutory surplus fund		-	-	-	-	-	247,101	-	-	-	(247,101)		-
At 31 December 2025		24,701	(133,128)	101,998	2,795,844*	118,615*	2,147,042*	46,058*	(273,691)*	149,995*	5,225,089*		10,202,523

* These reserve accounts comprise the consolidated reserves of RMB10,208,952,000 (2024: RMB8,887,708,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		1,973,414	1,901,413
From a discontinued operation		–	(65,446)
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	14, 15	167,529	173,760
Depreciation of right-of-use assets	16	124,971	186,261
Share of profits of associates		(54,434)	(33,403)
Amortisation of intangible assets	18	5,016	15,007
Gain on termination of leases	6	(1,162)	(734)
Impairment of right-of-use assets	16	–	22,934
Impairment of property, plant and equipment	14	–	6,609
Loss on write-off of items of property, plant and equipment	6	5,742	6,135
Gain on disposal of investment properties	5	–	(19,956)
Gain on bargain purchase	38	–	(4,973)
Gain on disposal of subsidiaries	39	–	(83,490)
Bank interest income	7	(23,296)	(38,393)
Interest expense on bank loans	7	34,158	85,265
Interest expense on discounted bills receivable	7	8,442	11,779
Interest expense on lease liabilities	16	7,897	12,939
Interest expense on Xtep Convertible Bonds	7	68,874	25,873
Amortisation of bank charges on syndicated loans	7	3,749	5,253
Dividend income derived from an equity investment designated at fair value through other comprehensive income	5	(9,576)	–
Fair value gain on the derivative component of 2021 Xtep Convertible Bonds	5	(21,958)	(3,408)
Fair value loss on K-Swiss Convertible Bonds	30	–	2,539
Gain on redemption on K-Swiss Convertible Bonds	30	–	(3,879)
Fair value gain of financial assets at fair value through profit of loss	5	(31,739)	–
Equity-settled share award expense	6	33,247	6,636
Impairment of trade receivables	6	26,146	22,249
Provision for inventories	6	6,829	1,387
Income derived from financial assets at fair value through profit or loss, term deposits and structured bank deposits	5	(43,786)	(38,115)
		2,280,063	2,194,242
Increase in inventories		(240,155)	(105,962)
Increase in trade and bills receivables		(170,100)	(277,204)
Increase in prepayments, other receivables and other asset		(114,939)	(37,754)
Decrease in trade and bills payables		(439,625)	(167,879)
Increase in other payables and accruals		159,831	150,266
Cash generated from operations		1,475,075	1,755,709
Interest received		23,296	38,393
Interest paid		(42,600)	(97,044)
Overseas taxes paid		(503,358)	(468,979)
Net cash flows from operating activities		952,413	1,228,079

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	Notes	2025 RMB'000	2024 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	(264,120)	(316,775)
Addition of prepaid land lease		–	(77,045)
Additions of intangible assets	18	(13,028)	(4,699)
Decrease/(increase) in deposits for purchase of items of property, plant and equipment		6,320	(1,728)
Additions of investments in associates		(11,167)	(26,641)
Proceeds from disposal of investment properties		–	25,709
Disposal of subsidiaries	39	–	755,344
Acquisition of Merrell Brand and Saucony Brand	38(b)	–	84,547
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 in pledged bank deposits		363,260	271,462
Increase in term deposits		(154,000)	–
Income derived from financial assets at fair value through profit or loss, term deposits and structured bank deposits		43,786	38,115
Dividend income from an equity investment designated at fair value through other comprehensive income		9,576	–
Net cash flows from/(used in) investing activities		(19,373)	651,398
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		767,438	1,359,919
Repayment of bank loans		(1,686,710)	(2,011,239)
Net payment for the issue of 2024 Xtep Convertible Bonds and the redemption of K-Swiss Convertible Bonds	30	–	(4,720)
Net proceeds from placing of shares	34	455,724	–
Net proceeds from issue of 2025 Xtep Convertible Bonds	29	461,300	–
Proceeds from disposal of treasury shares	35	228,904	–
Refund from trustee upon expiry of 2014 Share Award Scheme		68,400	–
Interest payment of 2025 Xtep Convertible Bonds	29	(5,149)	–
Lease payments		(107,927)	(177,327)
Dividends paid		(609,981)	(1,443,604)
Exchange realignment		(26,735)	80,448
Net cash flows used in financing activities		(454,736)	(2,196,523)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		478,304	(317,046)
Cash and cash equivalents at beginning of year		2,979,194	3,294,627
Effect of foreign exchange rate changes, net		(388)	1,613
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,457,110	2,979,194
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		3,457,110	2,979,194

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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		Principal activities
			Direct	Indirect	
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")/ Chinese mainland	RMB3,275 million	–	100	Investment holding
特步中國有限公司 ("Xtep China") (note (b))	PRC/Chinese mainland	RMB762 million	–	100	Manufacture and trading of sportswear
Koling (Fujian) Garment Co., Ltd. (note (b))	PRC/Chinese mainland	RMB140 million	–	100	Manufacture and trading of sportswear
Xiamen Xtep Investment Company Limited (note (a))	PRC/Chinese mainland	RMB490 million	–	100	Trading of sportswear
特步(安徽)有限公司 ("Xtep Anhui") (note (b))	PRC/Chinese mainland	RMB450 million	–	100	Manufacture and trading of sportswear

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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		Principal activities
			Direct	Indirect	
特步湖南體育用品有限公司 (note (b))	PRC/Chinese mainland	RMB50 million	–	100	Manufacture of sportswear
晉江特步貿易有限公司 (note (b))	PRC/Chinese mainland	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))	PRC/Chinese mainland	RMB998.3 million	–	100	Trading of sportswear
廈門天鄰緣電子商務有限公司 (note (a))	PRC/Chinese mainland	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/Chinese mainland	RMB3 million	–	100	Trading of sportswear
特步(福建)體育用品有限公司 (note (b))	PRC/Chinese mainland	RMB30 million	–	100	Trading of sportswear
MS (China) Sports Company Limited	BVI	US\$50,000	100	–	Investment holding
Merrell Distribution Operations Limited ("Merrell Distribution") (notes (c) and 38)	BVI	US\$100	–	100	Investment holding
Merrell Brand Operations Limited ("Merrell Brand") (notes (c) and 38)	BVI	US\$100	–	100	Investment holding
XMS Sports Co. Limited (note (c))	BVI	US\$1	–	100	Investment holding
Saucony Distribution Operations Limited ("Saucony Distribution") (notes (c) and 38)	BVI	US\$100	–	100	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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		Principal activities
			Direct	Indirect	
Saucony Brand Operations Limited ("Saucony Brand") (notes (c) and 38)	BVI	US\$100	–	100	Investment holding
Saucony Distribution Operations (HK) Limited (note (c))	Hong Kong	HK\$169 million	–	100	Investment holding and trading of sportswear
Saucony Brand Operations (HK) Limited (note (c))	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 (c))	PRC/Chinese mainland	RMB60 million	–	100	Trading of sportswear
廈門聖康尼品牌運營有限公司 (note (c))	PRC/Chinese mainland	RMB83 million	–	100	Trading of sportswear
Xtep Asia Holding PTE. LTD.	Singapore	SGD100,000	–	100	Investment holding

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) 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 Chinese mainland, 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as 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 2025. 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 2025

2. ACCOUNTING POLICIES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

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. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ²
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> ²
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ¹
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature — Dependent Electricity</i> ¹
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> ²
<i>Annual Improvements to HKFRS Accounting Standards — Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Further information about those HKFRS Accounting Standards 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 HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards 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.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. 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 HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* 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 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS (Continued)

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. 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 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 and 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 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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, trademarks and computer software

Purchased patents, trademarks and computer software 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 2025

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 2025

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 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 than 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 2025

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025

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
Leasehold land	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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025

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 give 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 give 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 2025

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.

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.

Royalty income is recognised at the time the underlying sale occur based on the agreement terms and correspondence with the licensees.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates share award and share option schemes. 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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 Chinese mainland 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.

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 Chinese mainland, 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).

NOTES TO FINANCIAL STATEMENTS

31 December 2025

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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 Chinese mainland 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.

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 Chinese mainland, 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 Chinese mainland 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 Chinese mainland 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 2025

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 2025, the provision for inventories was RMB40,677,000 (2024: RMB33,848,000). 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 2025, the impairment of trade receivables was RMB441,626,000 (2024: RMB415,480,000). The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 RMB319,385,000 (2024: RMB344,959,000) 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 RMB69,155,000. 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 values 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, respectively.

Withholding taxes arising from the distributions of dividends

In estimating the withholding taxes on dividends expected to be distributed by those subsidiaries established in Chinese mainland 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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit 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 2025

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 2025

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	12,515,127	1,635,959	14,151,086
Segment results	1,919,712	114,469	2,034,181
Share of profits of associates	25,804	28,630	54,434
Net finance costs			(99,824)
Corporate and other unallocated expenses			(15,377)
Profit before tax from continuing operations			1,973,414

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 profits 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2025

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Segment assets	12,768,809	979,891	13,748,700
Corporate and other unallocated assets			3,150,176
Total assets			16,898,876
Segment liabilities	3,344,155	432,461	3,776,616
Corporate and other unallocated liabilities			2,919,737
Total liabilities			6,696,353

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

4. OPERATING SEGMENT INFORMATION (Continued)

For the year ended 31 December 2025

	Mass market RMB'000	Professional sports RMB'000	Total RMB'000
Other segment information:			
Depreciation of property, plant and equipment and investment properties	136,618	30,911	167,529
Depreciation of right-of-use assets	54,642	70,329	124,971
Impairment of trade receivables	26,146	–	26,146
Provision/(write-back of provision) for inventories, net	7,005	(176)	6,829
Capital expenditure	228,245	35,875	264,120
Investments in associates	321,898	313,314	635,212

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

Information about major customers

For the years ended 31 December 2025 and 2024, 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 Chinese mainland. Therefore, no analysis by geographical regions is presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
Product categories		
Footwear	8,420,019	8,054,455
Apparel	5,451,243	5,226,166
Accessories	279,824	296,601
	14,151,086	13,577,222

(ii) Other income and gains, net, from continuing operations

	2025 RMB'000	2024 RMB'000
Subsidy income ¹	301,084	261,278
Rental income	26,778	18,615
Royalty income	51,516	37,015
Income derived from term deposits and structured bank deposits	43,786	38,115
Dividend income derived from an equity investment designated at fair value through other comprehensive income ("FVOCI")	9,576	–
Fair value gain on the derivative component of 2021 Xtep Convertible Bonds (note 29)	21,958	3,408
Fair value gain on financial assets at fair value through profit of loss ("FVPL") (note 31)	31,739	–
Gain on disposal of investment properties	–	19,956
Gain on bargain purchase (note 38)	–	4,973
Others	30,947	12,264
	517,384	395,624

¹ There are no unfulfilled conditions or contingencies relating to these subsidies.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	2025 RMB'000	2024 RMB'000
Cost of inventories sold ¹		8,088,044	7,711,818
Depreciation of property, plant and equipment and investment properties ²		167,529	142,405
Depreciation of right-of-use assets ²	16	124,971	111,834
Amortisation of intangible assets ²		5,016	3,856
Advertising and promotional costs		1,825,335	1,813,076
Employee benefit expenses (including directors' remuneration — note 8):			
Wages and salaries		1,301,343	1,283,270
Other allowances and benefits		91,159	57,307
Pension scheme contributions ³		53,692	14,831
Equity-settled share award expense, net ²	36	33,247	6,636
		1,479,441	1,362,044
Auditor's remuneration		5,235	5,520
Loss on write-off of items of property, plant and equipment		5,742	6,135
Lease payments not included in the measurement of lease liabilities	16	11,507	27,142
Gain on termination of leases	16	(1,162)	(734)
Impairment of trade receivables ²		26,146	22,249
Provision for inventories ²		6,829	1,387
Research and development costs ⁴		409,841	393,430
Foreign exchange differences, net ²		(1,232)	32,461

¹ The cost of inventories sold for the year includes RMB469,687,000 (2024: RMB481,673,000) 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 awards expense, net, impairment of trade receivables, 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 2025, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2024: Nil).

⁴ The research and development costs for the year include RMB251,781,000 (2024: RMB205,734,000) 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

7. NET FINANCE COSTS

An analysis of net finance costs from continuing operations is as follows:

	2025 RMB'000	2024 RMB'000
Interest expense on bank loans	(34,158)	(85,265)
Interest expense on discounted bills receivable	(8,442)	(11,779)
Interest expense on Xtep Convertible Bonds (note 29)	(68,874)	(25,873)
Interest on lease liabilities (note 16)	(7,897)	(6,509)
Amortisation of bank charges on syndicated loans	(3,749)	(5,253)
Bank interest income	23,296	37,150
	(99,824)	(97,529)

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:

	2025 RMB'000	2024 RMB'000
Fees:		
Executive directors	–	–
Non-executive director	302	301
Independent non-executive directors	657	656
	959	957
Other emoluments of executive directors:		
Salaries, other allowances and benefits in kind	10,648	9,396
Performance-related bonuses	2,443	2,160
Pension scheme contributions	91	103
	13,182	11,659
Other emoluments of a non-executive director:		
Salaries, other allowances and benefits in kind	–	–
	14,141	12,616

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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
2025					
a) <i>Executive directors</i>					
Ding Shui Po ¹	–	4,425	960	22	5,407
Ding Mei Qing	–	3,189	960	32	4,181
Ding Ming Zhong	–	2,169	523	37	2,729
Yeung Lo Bun ²	–	865	–	–	865
	–	10,648	2,443	91	13,182
b) <i>Non-executive director</i>					
Tan Wee Seng	302	–	–	–	302
c) <i>Independent non-executive directors</i>					
Bao Ming Xiao	240	–	–	–	240
Wu Ka Chee, Davy	198	–	–	–	198
Chan Yee Wah	219	–	–	–	219
	657	–	–	–	657
	959	10,648	2,443	91	14,141
2024					
a) <i>Executive directors</i>					
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) <i>Non-executive director</i>					
Tan Wee Seng	301	–	–	–	301
c) <i>Independent non-executive directors</i>					
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

¹ Mr. Ding Shui Po is also the chief executive officer of the Group.

² Mr. Yeung Lo Bun was appointed as an executive director on 18 March 2025.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2024: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 RMB'000	2024 RMB'000
Salaries, other allowances and benefits in kind	9,541	8,040
Performance-related bonuses	2,496	2,600
Pension scheme contributions	127	167
Equity-settled shares award expense	62	285
	12,226	11,092

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	
	2025	2024
HK\$3,000,001 — HK\$3,500,000	—	1
HK\$3,500,001 — HK\$4,000,000	—	1
HK\$4,000,001 — HK\$4,500,000	2	—
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 one (2024: three) non-director and non-chief executive highest paid employee 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.

NOTES TO FINANCIAL STATEMENTS

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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 (2024: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2025 RMB'000	2024 RMB'000
Current tax — Chinese mainland		
Charge for the year	448,226	431,665
Underprovision in prior years	14,385	4,198
	462,611	435,863
Deferred tax	139,232	160,046
Total tax charge for the year from continuing operations	601,843	595,909
Total tax charge for the year from a discontinued operation	—	1,656
	601,843	597,565

Xtep China, a wholly-owned subsidiary of the Company, was taxed at a preferential 15% tax rate for the years ended 31 December 2025 and 2024 as Xtep China was qualified as a High-New Technology Enterprise (the "HNTE") in the PRC.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
Profit before tax from continuing operations	1,973,414	1,901,413
Loss before tax from a discontinued operation	–	(65,446)
Total	1,973,414	1,835,967
Tax at the applicable tax rates	494,305	453,000
Effect of tax concessions	(38,614)	(26,458)
Adjustments in respect of current tax of previous years	14,385	4,198
Income not subject to tax	(94,494)	(115,456)
Expenses not deductible for tax	78,485	95,914
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	139,232	160,046
Tax losses not recognised	27,874	26,321
Utilisation of tax loss	(19,330)	–
Tax charge at the Group's effective rate	601,843	597,565
Tax charge from continuing operations at the effective rate	601,843	595,909
Tax charge from a discontinued operation at the effective rate	–	1,656

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. DISCONTINUED OPERATION (Continued)

The results of KP Global for the period from 1 January 2024 to 30 November 2024 (i.e. date of completion of the Disposal) are presented below:

	Note	2024 RMB'000
Revenue		1,581,622
Cost of sales		(744,164)
Other income and losses, net		(16,830)
Selling and distribution expenses		(793,763)
General and administrative expenses		(170,612)
Loss from operating activities		(143,747)
Net finance costs		(5,189)
Gain on disposal of subsidiaries	39	83,490
Loss before tax from the discontinued operation		(65,446)
Income tax expense		(1,656)
Loss for the year from the discontinued operation		(67,102)

The net cash flows incurred by discontinued operation are as follows:

	2024 RMB'000
Operating activities	(24,910)
Investing activities	(43,227)
Financing activities	185,068
Net cash flows	116,931
Net cash inflow from disposal of subsidiaries (note 39)	755,344
Loss per share:	
Basic, from the discontinued operation*	(2.64) cents

* No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2024 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

11. DISCONTINUED OPERATION (Continued)

The calculations of basic loss per share from the discontinued operation are based on:

	2024 RMB'000
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(67,102)
	Number of shares
	2024
Weighted average number of ordinary shares outstanding during the year used in the basic loss per share calculation (note 13)	2,544,744,169

12. DIVIDENDS

	2025 RMB'000	2024 RMB'000
Dividends paid during the year:		
Final — HK9.5 cents (2024: HK8.0 cents)* per ordinary share	223,404 ⁽ⁱⁱⁱ⁾	185,441 ⁽ⁱ⁾
Interim — HK18.0 cents (2024: HK15.6 cents)* per ordinary share	447,605 ⁽ⁱⁱⁱ⁾	361,013 ⁽ⁱⁱ⁾
Special — Nil (2024: HK44.7 cents)* per ordinary share	—	1,049,112 ⁽ⁱⁱ⁾
	671,009	1,595,566
Proposed final dividend:		
HK9.5 cents (2024: HK9.5 cents) per ordinary share	234,782	243,419

(i) In respect of the financial year ended 31 December 2023

(ii) In respect of the financial year ended 31 December 2024

(iii) In respect of the financial year ended 31 December 2025

Scrip dividend election was offered to shareholders for final dividends for the years ended 31 December 2023 and 2024 and interim dividends for the years ended 31 December 2024 and 2025 (note 34).

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 2025 and 2024 represented the dividends paid for the issued ordinary shares, excluding treasury shares held by the trustees under the share award schemes.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 RMB1,371,571,000 (2024: RMB1,238,402,000) and the weighted average number of 2,671,212,313 (2024: 2,544,744,169) 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 because the diluted earnings per share increased when K-Swiss Convertible Bonds were taken into considerations.

The calculation of basic and diluted earnings per share are based on:

Earnings

	2025 RMB'000	2024 RMB'000
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	1,371,571	1,305,504
From a discontinued operation	–	(67,102)
Subtotal	1,371,571	1,238,402
Interest on Xtep Convertible Bonds	68,874	25,873
Less: Fair value gain on 2021 Xtep Convertible Bonds early redemption option	(21,958)	(3,408)
Profit attributable to ordinary equity holders of the Company before profit or loss effect on Xtep Convertible Bonds	1,418,487	1,260,867
Attributable to:		
From continuing operations	1,418,487	1,327,969
From a discontinued operation	–	(67,102)
Total	1,418,487	1,260,867

NOTES TO FINANCIAL STATEMENTS

31 December 2025

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

	Number of shares	
	2025	2024
Shares		
Weighted average number of ordinary shares as used in the basic earnings per share calculation	2,671,212,313	2,544,744,169
Effect of dilution — weighted average number of ordinary shares		
— Share award	34,465,730	40,030,731
— Xtep Convertible Bonds	238,741,712	70,712,428
Weighted average number of ordinary shares	2,944,419,755	2,655,487,328

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 2025							
Cost:							
At beginning of year	1,536,807	179,926	183,762	69,500	293,382	254,779	2,518,156
Additions	360	40,985	21,184	1,478	16,408	183,705	264,120
Transfer	408,204	-	-	-	-	(408,204)	-
Write-off	-	(18,515)	(8,397)	(2,990)	(15,714)	-	(45,616)
Exchange realignment	(2,246)	(117)	-	(12)	(44)	-	(2,419)
At 31 December 2025	1,943,125	202,279	196,549	67,976	294,032	30,280	2,734,241
Accumulated depreciation and impairment:							
At beginning of year	400,731	95,626	90,109	58,720	203,913	-	849,099
Depreciation provided during the year	77,321	41,119	13,563	1,825	32,290	-	166,118
Write-off	-	(17,179)	(7,308)	(2,525)	(12,862)	-	(39,874)
Exchange realignment	(755)	(115)	-	(9)	(44)	-	(923)
At 31 December 2025	477,297	119,451	96,364	58,011	223,297	-	974,420
Net carrying amount:							
At 31 December 2025	1,465,828	82,828	100,185	9,965	70,735	30,280	1,759,821

NOTES TO FINANCIAL STATEMENTS

31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

	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

The Group has not obtained the building ownership certificates for certain buildings with a net carrying amount of approximately RMB2,638,000 at 31 December 2025 (2024: RMB3,097,000).

As at 31 December 2025, 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).

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	9,074	16,646
Depreciation provided during the year	(1,411)	(1,819)
Disposal during the year	–	(5,753)
Carrying amount at 31 December	7,663	9,074

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 2025, the fair value of the Group's investment properties was RMB48,500,000 (2024: RMB50,300,000), 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 presupposes 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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.

(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 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 leases	–	(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 and 1 January 2025	–	133,805	615,904	749,709
Additions	–	196,558	–	196,558
Termination of leases	–	(8,841)	–	(8,841)
Release of subsidy (note 33)	–	–	(577)	(577)
Depreciation charge	–	(100,101)	(24,870)	(124,971)
Exchange realignment	–	4	–	4
As at 31 December 2025	–	221,425	590,457	811,882

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
As at 1 January	142,519	278,103
New leases	196,558	202,432
Addition as a result of acquisition of subsidiaries (note 38)	–	1,376
Disposal of subsidiaries (note 39)	–	(173,213)
Termination of leases	(10,003)	(2,454)
Accretion of interest recognised during the year (note 7)	7,897	12,939
Payments	(107,927)	(177,327)
Exchange realignment	4	663
As at 31 December	229,048	142,519
Analysed into:		
Current portion	104,703	77,362
Non-current portion	124,345	65,157

The maturity analysis of lease liabilities is disclosed in note 46 to the financial statements.

- (c) The amounts charged/(credited) to the income statement from continuing operations in relation to leases are as follow:

	2025 RMB'000	2024 RMB'000
Interest on lease liabilities	7,897	6,509
Depreciation charge of right-of-use assets	124,971	111,834
Expenses relating to short-term leases	11,507	27,142
Gain on termination of leases	(1,162)	(734)
	143,213	144,751

NOTES TO FINANCIAL STATEMENTS

31 December 2025

16. LEASES (Continued)

The Group as a lessor

The Group leases its investment properties (note 15) representing commercial properties under operating lease arrangements. Rental income from the continuing operations recognised by the Group during the year was RMB26,778,000 (2024: RMB18,615,000), details of which are included in note 5 to the financial statements.

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:

	2025 RMB'000	2024 RMB'000
Within one year	5,308	5,425
After one year but within two years	2,743	5,516
After two years but within three years	1,042	3,834
Over three years	174	417
	9,267	15,192

17. GOODWILL

	2025 RMB'000	2024 RMB'000
Cost at 1 January	3,840	842,164
Acquisition of subsidiaries (note 38)	–	518
Disposal of subsidiaries (note 39)	–	(846,989)
Exchange realignment	–	8,147
Cost at 31 December	3,840	3,840
As at 31 December		
Cost	3,840	3,840
Accumulated impairment	–	–
Net carrying amount	3,840	3,840

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18. INTANGIBLE ASSETS

	Brand names RMB'000	Business relationship RMB'000	Others* RMB'000	Total RMB'000
31 December 2025				
Cost at 1 January 2025, net of accumulated amortisation	–	–	16,522	16,522
Additions	–	–	13,028	13,028
Amortisation provided during the year	–	–	(5,016)	(5,016)
As at 31 December 2025	–	–	24,534	24,534
As at 31 December 2025:				
Cost	–	–	49,916	49,916
Accumulated amortisation	–	–	(25,382)	(25,382)
Net carrying amount	–	–	24,534	24,534
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

* Others included patents, trademarks and computer software.

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19. INVESTMENTS IN ASSOCIATES

	2025 RMB'000	2024 RMB'000
Share of net assets	635,212	453,310

Particulars of associates are as follows:

Name	Place of incorporation or establishment/ business	Percentage of ownership interest attributable to the Group	Principal activities
四川省唯品富邦消费金融有限公司	PRC/Chinese mainland	25 (2024: 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 sportswear

The Group's other receivables and trade and other payables balances with the associates are disclosed in notes 25 to the financial statements.

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:

	2025 RMB'000	2024 RMB'000
Share of the associates' profits and total comprehensive income for the year	54,434	33,403
Net carrying amount of the Group's investments in associates	635,212	453,310

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20. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2025 RMB'000	2024 RMB'000
At 1 January	282,200	256,565
Changes in fair values	21,700	53,244
Disposal	–	(27,609)
At 31 December	303,900	282,200

As at 31 December 2025, the Group held two unlisted investments with fair values of RMB286,200,000 (2024: RMB264,400,000) and RMB17,700,000 (2024: RMB17,800,000), representing 5% and 11% (2024: 5% and 11%) equity interests in two corporate entities, which were established in the PRC on 22 December 2014 and 22 October 2012, respectively.

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 2025, fair value gains of RMB21,700,000 (2024: RMB53,244,000) 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

	2025 RMB'000	2024 RMB'000
Raw materials	41,829	69,790
Work in progress	148,089	133,497
Finished goods	1,679,739	1,426,215
	1,869,657	1,629,502
Less: Provision for inventories	(40,677)	(33,848)
	1,828,980	1,595,654

NOTES TO FINANCIAL STATEMENTS

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22. TRADE AND BILLS RECEIVABLES

	Notes	2025 RMB'000	2024 RMB'000
Trade receivables		5,185,904	5,012,304
Less: Impairment of trade receivables	(a)	(441,626)	(415,480)
	(b)	4,744,278	4,596,824
Bills receivable	(c)	411,000	414,500

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:

	2025 RMB'000	2024 RMB'000
At 1 January	415,480	419,720
Impairment of trade receivables	26,146	22,249
Disposal of subsidiaries	–	(26,489)
At 31 December	441,626	415,480

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.

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 2025

	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 for specific trade receivables RMB'000	Total loss allowance RMB'000
Current	2.1%	2,483,372	(51,754)	–	–	(51,754)
Less than 3 months past due	3.1%	1,510,278	(47,251)	–	–	(47,251)
Past due over 3 to 6 months	7.8%	496,843	(38,611)	–	–	(38,611)
Past due over 6 to 9 months	15.4%	302,405	(46,648)	–	–	(46,648)
Past due over 9 months	41.5%	231,971	(96,327)	161,035	(161,035)	(257,362)
		5,024,869	(280,591)	161,035	(161,035)	(441,626)

NOTES TO FINANCIAL STATEMENTS

31 December 2025

22. TRADE AND BILLS RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

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 for 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)

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.

(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:

	2025 RMB'000	2024 RMB'000
Within 3 months	2,384,367	2,671,981
3 to 6 months	1,471,667	1,144,002
6 to 9 months	752,600	559,292
Over 9 months	135,644	221,549
	4,744,278	4,596,824

(c) The maturity of the Group's bills receivable as at the end of the reporting period is as follows:

	2025 RMB'000	2024 RMB'000
Within 3 months	–	50,000
3 to 6 months	411,000	364,500
	411,000	414,500

NOTES TO FINANCIAL STATEMENTS

31 December 2025

23. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSET

	Note	2025 RMB'000	2024 RMB'000
Prepayments to contracted manufacturers		169,462	154,651
Prepayments for capital contribution to an associate		–	124,500
Deposits and advance payments to suppliers		270,041	275,630
Deposits and advance payments to subcontractors		266,754	306,949
Deposit for bank acceptance bill		–	10,000
Other Asset	(a)	65,010	65,010
Other deposits		60,989	35,035
Value added tax ("VAT") recoverable		205,505	142,892
Other receivables		132,612	139,987
Total		1,170,373	1,254,654
Less: Non-current portion deposits and other asset		(77,488)	(208,308)
Current portion		1,092,885	1,046,346

Note:

- (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 2026.

As at 31 December 2025, 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.

The 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 2025 and 2024, the loss allowance was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS

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24. TERM DEPOSITS, CASH AND BANK EQUIVALENTS AND PLEDGED BANK DEPOSITS

	Note	2025 RMB'000	2024 RMB'000
Term deposits		454,000	300,000
Cash and bank balances		3,684,110	3,569,454
Total		4,138,110	3,869,454
Less: Pledged deposits for short-term bank loans	28	(227,000)	(590,260)
Non-current term deposits		–	(300,000)
Current term deposits		(454,000)	–
Cash and cash equivalents		3,457,110	2,979,194

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB3,714,295,000 (2024: RMB3,856,766,000). RMB is not freely convertible into other currencies, however, under Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, and 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 RMB454,000,000 (2024: RMB300,000,000) which are made for 181 days to 1,080 days (2024: 1,080 days) and earn interest at rates of 1.6% to 3.2% (2024: 3.2%) per annum, the remaining time deposits are made for one day (2024: 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.

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:

	2025 RMB'000	2024 RMB'000
Within 3 months	1,560,734	1,924,253
3 to 6 months	87,246	80,978
Over 6 months	107,836	90,210
	1,755,816	2,095,441

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 RMB74,865,000 (2024: RMB16,281,000) which were repayable on demand.

NOTES TO FINANCIAL STATEMENTS

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26. OTHER PAYABLES AND ACCRUALS

	Note	2025 RMB'000	2024 RMB'000
Contract liabilities	(a)	310,352	243,849
Other payables		570,538	494,547
VAT payables		29,719	1,968
Accruals		911,040	921,454
		1,821,649	1,661,818

All these balances are non-interest-bearing and other payables have an average term of three months.

Note:

- (a) Contract liabilities represented advances received before delivery of sportswear goods to customers. Balance at 1 January 2024 amounted to RMB179,558,000. Revenue that was included in the contract liabilities at the beginning of the reporting period amounting to RMB243,849,000 (2024: RMB179,558,000) was recognised during the year ended 31 December 2025. The increase in contract liabilities in 2025 and 2024 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.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	2025 RMB'000	2024 RMB'000
Derivative financial assets/(liabilities):			
— Call option	38(a)	7,055	7,233
— 2021 Xtep Convertible Bonds early redemption options	29(a)	(49,517)	(72,982)

NOTES TO FINANCIAL STATEMENTS

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28. INTEREST-BEARING BANK BORROWINGS

	Notes	2025			2024		
		Effective interest rate per annum	Maturity	RMB'000	Effective interest rate per annum	Maturity	RMB'000
Current:							
Revolving loans	(a)	2.3%-3.0%	2026	200,004	2.3%-3.0%	2025	760,846
Mortgage loans	(c)	5 year Loan Prime Rate ("LPR")-0.8%	2026	20,498	5 year LPR-0.8%	2025	20,403
Other bank loans	(d)	1 year LPR-0.95% to 1 year LPR-1.15%	2026	620,000	1 year LPR-0.95% to 1 year LPR-1.05%	2025	380,000
				840,502			1,161,249
Non-current:							
Syndicated loans	(b)	-	-	-	HIBOR+1.45%	2027	366,607
Mortgage loans	(c)	5 year LPR-0.8%	2027 to 2031	128,076	5 year LPR-0.8%	2026 to 2031	150,751
Other bank loans	(d)	1 year LPR-0.92% to 1 year LPR-1.45%	2027 to 2033	128,200	1 year LPR-0.92% to 1 year LPR-1.15%	2026 to 2027	349,400
				256,276			866,758
				1,096,778			2,028,007

NOTES TO FINANCIAL STATEMENTS

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28. INTEREST-BEARING BANK BORROWINGS (Continued)

	2025 RMB'000	2024 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year and on demand	840,502	1,161,249
In the second year	151,804	142,676
In the third to fifth years	76,763	669,752
More than five years	27,709	54,330
	1,096,778	2,028,007

Notes:

- (a) The revolving loans are supported by:
- (i) the pledge of certain Group's bank deposits amounting to RMB227,000,000 (2024: RMB590,260,000) in aggregate; and
 - (ii) corporate guarantees provided by wholly-owned subsidiaries of the Company to the extent of HK\$1,225,000,000 and RMB85,000,000 (equivalent to approximately RMB1,106,420,000 and RMB85,000,000 respectively) (2024: HK\$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,180,650,000 and RMB85,000,000 respectively)) at the end of the reporting period.
- (b) As at 31 December 2024, the syndicated loans were 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).
- (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 RMB365,582,000 (2024: RMB387,705,000).
- (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 (2024: RMB1,150,000,000) as at the end of the reporting period.

As at 31 December 2025, except for the bank loans amounting to RMB896,773,000 which were denominated in RMB (2024: RMB1,661,400,000 which were denominated in RMB), all bank borrowings were denominated in Hong Kong dollars.

Non-current portion of interest-bearing bank borrowings of RMB128,200,000 (2024: 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.

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29. XTEP CONVERTIBLE BONDS

	Notes	2025 RMB'000	2024 RMB'000
2021 Xtep Convertible Bonds	(a)	462,100	450,271
2024 Xtep Convertible Bonds	(b)	420,245	406,515
2025 Xtep Convertible Bonds	(c)	452,016	–
		1,334,361	856,786
Less: Current portion		(452,016)	–
Non-current portion		882,345	856,786

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 2025, the principal amount was adjusted to approximately HK\$539,658,000 while the conversion price had been adjusted to HK\$7.9385 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, 6 December 2024, 30 June 2025 and 30 October 2025.

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	Embedded derivative	Equity component	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	418,791	74,805	26,460	520,056
Interest expense (note 7)	22,009	–	–	22,009
Fair value gain (note 5)	–	(3,408)	–	(3,408)
Exchange difference	9,471	1,585	–	11,056
At 31 December 2024 and 1 January 2025	450,271	72,982	26,460	549,713
Interest expense (note 7)	23,223	–	–	23,223
Fair value gain (note 5)	–	(21,958)	–	(21,958)
Exchange difference	(11,394)	(1,507)	–	(12,901)
At 31 December 2025	462,100	49,517	26,460	538,077

(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 an 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 2025, the principal amount was adjusted to approximately HK\$517,731,000 while the conversion price had been adjusted to HK\$5.2323 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.

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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, 1 November 2024, 30 June 2025 and 30 October 2025.

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	395,812	59,388	455,200
Interest expense (note 7)	3,864	–	3,864
Exchange difference	6,839	–	6,839
At 31 December 2024 and 1 January 2025	406,515	59,388	465,903
Interest expense (note 7)	24,057	–	24,057
Exchange difference	(10,327)	–	(10,327)
At 31 December 2025	420,245	59,388	479,633

(c) 2025 Xtep Convertible Bonds

Pursuant to a subscription agreement entered into between UBS AG Hong Kong Branch (an independent third party, "UBS") and the Company, among others, the Company conditionally agreed to issue, and UBS conditionally agreed to subscribe for the 1-year convertible bonds with interest at 1.5% per annum in an aggregate principal amount of HK\$500,000,000 (the "2025 Xtep Convertible Bonds"), which are convertible at the option of the holder into the Company's ordinary shares at anytime on or after 2 April 2025 up to the close of business on the date falling 10 trading days prior to the maturity date at 18 February 2026; or, if such bond shall have been called for redemption by the Company before the maturity date, then up to the close of business on a date no later than 5 days prior to the date fixed for redemption. The interest and the default interest shall be accrued quarterly and payable in arrears on 20 May 2025, 20 August 2025, 20 November 2025 and the maturity date. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each convertible bond at 100.5% of the principal amount together with accrued interest and all other amounts accrued or outstanding under the convertible bond which remain unpaid on the maturity date.

UBS sold the 2025 Xtep Convertible Bonds to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. None of the 2025 Xtep Convertible Bonds was offered to the retail public in Hong Kong.

The 2025 Xtep Convertible Bonds were listed on the Vienna Stock Exchange.

The 2025 Xtep Convertible Bonds were issued on 20 February 2025. At 31 December 2025, the conversion price had been adjusted to HK\$6.01 per conversion share.

In connection with the issuance of the 2025 Xtep Convertible Bonds, early redemption options were also given to the bondholder.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

29. XTEP CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(c) 2025 Xtep Convertible Bonds (Continued)

Subject to the redemption on a major event or certain events of default under the terms of the 2025 Xtep Convertible Bonds, the bondholder may request the Company to redeem the 2025 Xtep Convertible Bonds at anytime, in whole or in part, at an amount equal to 102% of the principal amount calculated on a quarterly basis up to the redemption date.

For details of 2025 Xtep Convertible Bonds, please refer to the Company's announcements dated 10 February 2025, 20 February 2025, 30 June 2025, 30 October 2025, 30 January 2026, 2 February 2026 and 6 February 2026.

The component of the 2025 Xtep Convertible Bonds that exhibits characteristics of a liability is recognised as a liability. On issuance of the 2025 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 2025 Xtep Convertible Bonds issued during the year have been split into the liability component and equity component, and the movements are as follows:

	Liability component	Equity component	Total
	RMB'000	RMB'000	RMB'000
At the issuance date	445,150	16,150	461,300
Interest expense (note 7)	21,594	–	21,594
Interest payment	(5,149)	–	(5,149)
Exchange difference	(9,579)	–	(9,579)
At 31 December 2025	452,016	16,150	468,166

The 2021 Xtep Convertible Bonds, 2024 Xtep Convertible Bonds and 2025 Xtep Convertible Bonds are subject to certain continuing debt covenants. The Group considered there is no indication that it will have difficulties in complying with these covenants.

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 make 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 announcements 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
At 1 January	460,424
Fair value loss	2,539
Early redemption	(459,920)
Gain on redemption	(3,879)
Exchange difference	836
At 31 December	–

31. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2025 RMB'000	2024 RMB'000
Financial assets at fair value through profit or loss <i>KP Convertible Bond as defined in note 11, at fair value:</i>		
Carrying amount at 1 January	1,046,111	–
Subscription during the year (note 39)	–	1,032,505
Fair value gain (note 5)	31,739	–
Exchange realignment	(25,622)	13,606
Carrying amount at 31 December	1,052,228	1,046,111

The above convertible bond was issued by KP Global on 30 November 2024, which bears interest at 3.5% per annum with maturity date on 29 November 2032. The convertible bond 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.

NOTES TO FINANCIAL STATEMENTS

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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 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 and 1 January 2025	22,650	153,000	–	175,650
Withholding tax paid on repatriation of earnings from PRC subsidiaries	–	(54,009)	–	(54,009)
Deferred tax charged to the consolidated income statement during the year (note 10)	–	139,232	–	139,232
Deferred tax charged to the fair value reserve during the year	3,255	–	–	3,255
Deferred tax liabilities at 31 December 2025	25,905	238,223	–	264,128

The Group has tax losses arising in Hong Kong of RMB125,783,000 (2024: RMB100,555,000) 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 Chinese mainland of RMB193,602,000 (2024: RMB244,404,000) that will expire in one to five years for offsetting against future taxable profits.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 Chinese mainland. 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 Chinese mainland 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 Chinese mainland 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 Chinese mainland for which deferred tax liabilities have not been recognised totalled approximately RMB82,708,000 as at 31 December 2025 (2024: RMB154,007,000).

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

	2025 RMB'000	2024 RMB'000
Carrying amount at 1 January	19,183	19,760
Released to/resumed as prepaid land lease payments (note 16)	(577)	(577)
Carrying amount at 31 December	18,606	19,183
Current portion	(577)	(577)
Non-current portion	18,029	18,606

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.

NOTES TO FINANCIAL STATEMENTS

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34. SHARE CAPITAL

At 31 December 2025

	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:		
2,806,072,356 ordinary shares of HK\$0.01 each	28,061	24,701

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

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 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 and 1 January 2025		2,683,650,072	26,837	23,575
Shares issued in lieu of cash dividend	(i)	11,513,284	115	105
Issue of shares	(ii)	90,909,000	909	838
Issue of shares for share award scheme	(iii)	20,000,000	200	183
At 31 December 2025		2,806,072,356	28,061	24,701

Notes:

- (i) On 18 March 2025, the board of directors declared a final dividend of HK9.5 cents (equivalent to approximately RMB8.8 cents) (year ended 31 December 2023: HK8.0 cents (equivalent to approximately RMB7.3 cents)) per ordinary share for the year ended 31 December 2024. 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 28 April 2025. On 30 June 2025, 7,934,670 (year ended 31 December 2024: 3,060,718) shares were issued at HK\$5.543 (year ended 31 December 2024: HK\$5.477) per Share in respect of the final dividend for the year ended 31 December 2024.

On 18 August 2025, the board of directors declared an interim dividend of HK18.0 cents (equivalent to approximately RMB16.4 cents) (year ended 31 December 2024: HK15.6 cents (equivalent to approximately RMB14.2 cents)) per ordinary share for the year ended 31 December 2025. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 30 October 2025, 3,578,614 (year ended 31 December 2024: 39,132,147) shares were issued at HK\$6.407 (year ended 31 December 2024: HK\$4.457) per Share in respect of the interim dividend for the year ended 31 December 2025.

An amount of nil (2024: RMB47,000) and an amount of nil (2024: RMB22,076,000) were transferred from the share capital and share premium reserve to treasury share reserve upon the issuance of scrip shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

34. SHARE CAPITAL (Continued)

Notes: (Continued)

- (ii) On 10 February 2025, the Company 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 (as defined in note 1), at the subscription price of HK\$5.50 per share with a total cash consideration of RMB455,724,000, after expenses, for working capital to support general corporate purposes and capital investment.
- (iii) During the year ended 31 December 2025, 20,000,000 ordinary shares have been allotted and issued at nominal value to the trustee of the share award scheme of the Company for the share awards granted to employees and service providers under the 2025 Share Award Scheme as detailed in note 36. The share capital was increased by HK\$200,000 (equivalent to approximately RMB183,000).

35. TREASURY SHARES AND RESERVES

(a) Treasury shares

Treasury shares reacquired or issued and held by the Company are recognised directly in equity at cost. During the year ended 31 December 2025, nil (2024: 5,075,937) treasury shares amounting to nil (2024: RMB22,123,000) in form of scrip dividend were received by the Company. As at 31 December 2025, the Group had 82,043,000 (2024: 106,353,859) treasury shares, out of which 32,043,000 (2024: 43,695,000) treasury shares, and 50,000,000 (2024: Nil) treasury shares, were granted to certain participants of the 2014 Share Award Scheme and 2025 Share Award Scheme, respectively, as Awarded Shares but remained unvested. Movements in the number of Awarded Shares are disclosed in note 36 to the financial statements. During the year ended 31 December 2025, the Group disposed of 42,751,000 treasury shares upon the expiry of the 2014 Share Award Scheme at market prices with a total net consideration of RMB228,904,000, resulting in credit of RMB173,546,000 and RMB55,358,000 to treasury shares and share premium, respectively.

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

35. TREASURY SHARES AND RESERVES (Continued)

(b) Reserves (Continued)

(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 equity-settled share award compensation in respect of shares granted under the 2025 Share Award Scheme as set out in note 36 to the financial statements.

36. SHARE OPTION AND AWARD SCHEMES

(a) 2025 Share Option Scheme

On 28 April 2025, the board of directors of the Company (the "Board") approved and adopted by resolutions of the Shareholders a share option scheme (the "2025 Share Option Scheme"). Further details of the 2025 Share Option Scheme were disclosed in the Report of the Directors section of this annual report.

No options were granted, exercised, lapsed or cancelled under the 2025 Share Option Scheme during the year. As at 31 December 2025, there were no outstanding options under the 2025 Share Option Scheme.

(b) 2014 Share Award Scheme

On 1 August 2014, the Board 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 "2014 Share Award Scheme").

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

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these Awarded Shares. The Group accounts for the 2014 Share Award Scheme as an equity-settled plan.

At 31 December 2025, details of the outstanding Awarded Shares under the 2014 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 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 was HK\$4.

NOTES TO FINANCIAL STATEMENTS

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36. SHARE OPTION AND AWARD SCHEMES (Continued)

(b) 2014 Share Award Scheme (Continued)

The closing price of Awarded Shares immediately before the date on which the Awarded Shares were vested was HK\$5.08 (2024: HK\$4.85).

Movements in the number of Awarded Shares under 2014 Share Award Scheme were as follows:

	Number of Awarded Shares	
	2025	2024
Outstanding at 1 January	43,695,000	66,324,000
Awarded Shares vested	(1,560,000)	(9,596,800)
Awarded Shares forfeited	(10,092,000)	(13,032,200)
Outstanding at 31 December	32,043,000	43,695,000

(c) 2025 Share Award Scheme

On 28 April 2025, the Company adopted a share award scheme for the purpose of providing incentives to selected participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees, attract human resources that are valuable to the Group and to give the selected participants an opportunity to have a personal stake in the Company and help motivate selected participants to optimise their future contributions to the Group (the "2025 Share Award Scheme").

The 2025 Share Award Scheme became effective on 28 April 2025 ("Adoption Date") and unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued in respect of Awarded Shares under the 2025 Share Award Scheme of the Company would be no more than 277,455,907 shares, representing 10% of the total number of shares in issue as at the Adoption Date. The total number of shares which may be allotted and issued in respect of Awarded Shares under 2025 Share Award Scheme of the Company to Service Provider Participants would be no more than 27,745,590 shares, representing 1% of the total number of shares in issue as at the Adoption Date.

The vesting of shares award to the awardees is subject to conditions and vesting schedules as determined by the Board in its sole discretion.

The shares granted 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. Vested shares will be transferred to the selected participants save that transaction fees and expenses will be payable by the selected participants as transferees.

The Company issued 20,000,000 ordinary shares of the Company at HK\$0.01 per share to the Trustee for the 2025 Share Award Scheme on 17 September 2025, and transferred 30,000,000 shares which are not subject to any outstanding awards under the 2014 Share Award Scheme, to the 2025 Share Award Scheme during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

36. SHARE OPTION AND AWARD SCHEMES (Continued)

(c) 2025 Share Award Scheme (Continued)

At 31 December 2025, details of the outstanding Awarded Shares under the 2025 Share Award Scheme are as follows:

Grant date	Number of Awarded Shares to vest	Vesting period	Fair value at grant date HK\$ per Share
5 September 2025	15,000,000	5 September 2025 to 30 September 2026	6.08
5 September 2025	35,000,000	5 September 2025 to 31 May 2028	5.69

The Group measured the fair value of the Awarded Shares at grant date during the year ended 31 December 2025 with reference to the binomial model carried out by an independent professional valuer with input of Share's spot price of HK\$6.37 per share at grant date, expected dividend yield of 3.83% and expected volatility of 46.7%.

Movements in the number of Awarded Shares were as follows:

	Number of Awarded Shares 2025
Outstanding at 1 January	–
Awarded Shares granted	50,000,000
Outstanding at 31 December	50,000,000

During the year ended 31 December 2025, net share award expense of RMB33,247,000 (2024: RMB6,636,000) was charged to the consolidated income statement, and an amount of HK\$952,000 (equivalent to approximately RMB883,000) (2024: HK\$4,319,000 (equivalent to approximately RMB3,915,000)) was transferred from share award reserve to retained profits in respect of vesting of 1,560,000 (2024: 9,596,800) Awarded Shares.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 RMB196,558,000 (2024: RMB202,432,000) and RMB196,558,000 (2024: RMB202,432,000), respectively, in respect of lease arrangements for plant and buildings.

(b) Changes in liabilities arising from financing activities

2025

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2025	2,028,007	142,519
Changes from financing cash flows	(919,272)	(107,927)
Amortisation of bank charges on syndicated loans	3,749	–
Termination of leases	–	(10,003)
New leases	–	196,558
Interest expenses	–	7,897
Foreign exchange movement	(15,706)	4
At 31 December 2025	1,096,778	229,048

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

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2025 RMB'000	2024 RMB'000
Within operating activities	19,404	33,651
Within financing activities	107,927	177,327
	127,331	210,978

NOTES TO FINANCIAL STATEMENTS

31 December 2025

38. ACQUISITION OF INTEREST IN GEMINI ASIA SAUCONY, 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 the agreements:

(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 Chinese mainland, 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 values 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

38. ACQUISITION OF INTEREST IN GEMINI ASIA SAUCONY, 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

NOTES TO FINANCIAL STATEMENTS

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39. DISPOSAL OF SUBSIDIARIES

As disclosed in note 11 to the consolidated financial statements, KP Global Group was disposed to Ding Shun Investment Limited on 30 November 2024, details of the assets and liabilities of KP Global and its subsidiaries are set out below:

	Notes	2024 RMB'000
Net assets disposed of:		
Property, plant and equipment	14	64,064
Right of use assets	16(a)	134,695
Intangible 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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

40. CONTINGENT LIABILITIES

Other than the corporate guarantees detailed in note 42 to the financial statements, at the end of the reporting period, the Group had no significant contingent liabilities (2024: Nil).

41. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2025 RMB'000	2024 RMB'000
In respect of:		
— construction of new buildings	67,305	387,772
— construction of new manufacturing facilities	—	359
— advertising and promotional expenses	448,100	356,539
— capital contribution of an associate	—	23,903
	515,405	768,573

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 2025 RMB'000	Year ended 31 December 2024 RMB'000
Lease payment	3,672	11,184
Expenses relating to short-term leases	—	1,363
Depreciation of right-of-use assets	3,630	10,145
Interest expense on lease liabilities	365	369

	As at 31 December 2025 RMB'000	As at 31 December 2024 RMB'000
Right-of-use assets	6,691	917
Lease liabilities	6,830	1,013

These lease arrangements also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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31 December 2025

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 2025 RMB'000	Year ended 31 December 2024 RMB'000
Office leasing and licensing income	3,951	429
Sharing of administrative services income	8,988	750
Guarantee fee income*	56	11
Warehouse and logistics services income*	6,148	407

* The guarantee fee income and warehouse and logistics services income also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

The Company had provided corporate guarantee to a bank for a bank facility amounting to US\$4,450,000 (approximately RMB34,930,000) (2024: US\$4,450,000 (approximately RMB31,991,000)) to a wholly-owned subsidiary of KP Global at 31 December 2024, and guarantee agreement was terminated on 30 May 2025.

(iii) During the year ended 31 December 2025, royalty expense amounting to RMB113,895,000 (2024: RMB82,196,000) was payable by the Group to an associate of the Group according to the product cost at 19% (2024: 19%) of mutually agreed terms.

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:

	2025 RMB'000	2024 RMB'000
Short-term employee benefits	13,091	11,556
Post-employment benefits	91	103
Total compensation paid to key management personnel	13,182	11,659

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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

	2025 RMB'000	2024 RMB'000
Financial assets at FVOCI:		
Equity investments designated at FVOCI	303,900	282,200
Bills receivable	411,000	414,500
	714,900	696,700
Financial assets at FVPL, mandatorily designated as such:		
Financial assets at FVPL	1,052,228	1,046,111
Derivative financial instruments	7,055	7,233
	1,059,283	1,053,344
Financial assets at amortised cost:		
Trade receivables	4,744,278	4,596,824
Other receivables	132,612	97,463
Pledged bank deposits	227,000	590,260
Term deposits	454,000	300,000
Cash and cash equivalents	3,457,110	2,979,194
	9,015,000	8,563,741
Total	10,789,183	10,313,785

Financial liabilities

	2025 RMB'000	2024 RMB'000
Financial liabilities at amortised cost:		
Trade payables	1,755,816	2,095,441
Bills payable	–	100,000
Financial liabilities included in other payables and accruals	773,696	768,302
Interest-bearing bank borrowings	1,096,778	2,028,007
Xtep Convertible Bonds	1,334,361	856,786
	4,960,651	5,848,536
Financial liabilities at FVPL:		
Derivative financial instruments, held for trading	49,517	72,982
	49,517	72,982
Total	5,010,168	5,921,518

NOTES TO FINANCIAL STATEMENTS

31 December 2025

44. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 31 December 2025, the Group discounted certain commercial bills receivable with a carrying amount in aggregate of approximately RMB802,500,000 (2024: RMB779,000,000) to a bank in the PRC (the "Derecognised Bills") for cash. The Derecognised Bills had a remaining maturity from 5 days to 177 days (2024: 20 days to 180 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 bills discounting agreements, 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 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (2024: Nil). No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively. The amount of bills receivable of RMB1,222,500,000 (2024: RMB1,935,500,000) has been discounted during the year ended 31 December 2025.

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 2025 were assessed to be insignificant. The fair values of non-current portion of interest-bearing bank borrowings and Xtep Convertible Bonds approximated 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:

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31 December 2025

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.

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45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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 2025 and 2024:

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 1.64x (2024: 0.16x to 1.68x)	5% (2024: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB15.2 million (2024: RMB14.1 million)
		Discount for lack of marketability ("DLOM")	20% (2024: 20%)	2.5% (2024: 2.5%) increase/decrease in DLOM would result in decrease/increase in fair value by RMB9.5 million (2024: RMB8.8 million)
KP Convertible Bonds	Binomial model	Weighted average cost of capital	13.3% (2024: 13.7%)	0.5% increase/decrease in multiple would result in decrease in fair value by RMB17.6 million (2024: RMB17.3 million) /increase in fair value by RMB17.5 million (2024: RMB19.8 million)
		Volatility	43.9% (2024: 42.1%)	0.5% increase/decrease in multiple would result in increase in fair value by RMB1.5 million (2024: RMB2.7 million)/decrease in fair value by RMB1.8 million (2024: RMB1.9 million)
		Discount rate	7.1% (2024: 7.8%)	0.5% increase/decrease in multiple would result in decrease in fair value by RMB16.9 million (2024: RMB17.9 million) /increase in fair value by RMB17.5 million (2024: RMB18.0 million)
2021 Xtep Convertible Bonds early redemption option	Binomial model	Discount rate	5.1% (2024: 5.9%)	0.5% increase/decrease in multiple would result in increase in fair value by RMB3.8 million (2024: RMB5.7 million)/ decrease in fair value by RMB3.8 million (2024: RMB5.7 million)

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 2025**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	7,055	–	7,055
Financial assets at FVPL	–	–	1,052,228	1,052,228
Equity investments designated at FVOCI	–	–	303,900	303,900
Bills receivable	–	411,000	–	411,000
	–	418,055	1,356,128	1,774,183

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) 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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

Liabilities measured fair value:

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	–	49,517	49,517

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments	–	–	72,982	72,982

During the year ended 31 December 2025, 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 (2024: Nil).

NOTES TO FINANCIAL STATEMENTS

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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 Chinese mainland 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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		Simplified approach	RMB'000
	Stage 1	Stage 2	Stage 3			
	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000
31 December 2025						
Trade receivables*	–	–	–	5,185,904		5,185,904
Other receivables**	132,612	–	–	–		132,612
Term deposits**	454,000	–	–	–		454,000
Pledged bank deposits**	227,000	–	–	–		227,000
Cash and cash equivalents**	3,457,110	–	–	–		3,457,110
Total	4,270,722	–	–	5,185,904		9,456,626
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

* 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 (2024: Nil).

NOTES TO FINANCIAL STATEMENTS

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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
2025		
Hong Kong dollar	100	(200)
Hong Kong dollar	(100)	200
RMB	100	(8,968)
RMB	(100)	8,968
2024		
Hong Kong dollar	100	(3,666)
Hong Kong dollar	(100)	3,666
RMB	100	(9,916)
RMB	(100)	9,916

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025		
	On demand and within 1 year	Over 1 year	Total
	RMB'000	RMB'000	RMB'000
Trade payables	1,755,816	–	1,755,816
Lease liabilities	108,492	134,966	243,458
Financial liabilities included in other payables and accruals	773,696	–	773,696
Interest-bearing bank borrowings	853,516	274,677	1,128,193
Xtep Convertible Bonds	449,907	993,144	1,443,051
	3,941,427	1,402,787	5,344,214
	2024		
	On demand and within 1 year	Over 1 year	Total
	RMB'000	RMB'000	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

NOTES TO FINANCIAL STATEMENTS

31 December 2025

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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.

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 2025 and 31 December 2024.

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:

	2025 RMB'000	2024 RMB'000
Cash and cash equivalents	3,457,110	2,979,194
Term deposits	454,000	300,000
Pledged bank deposits	227,000	590,260
Less: Interest-bearing bank borrowings	(1,096,778)	(2,028,007)
Xtep Convertible Bonds	(1,334,361)	(856,786)
Net cash	1,706,971	984,661
Total equity	10,202,523	8,702,568
Net cash-to-equity ratio	0.167	0.113

47. EVENTS AFTER THE REPORTING PERIOD

On 30 January 2026, the Company announced the proposed repurchase of 2025 Xtep Convertible Bonds. The 2025 Xtep Convertible Bonds was fully repurchased on 6 February 2026 and delisted from the Vienna Stock Exchange.

On 30 January 2026, the Company announced the proposed issue of HK\$500,000,000 zero coupon convertible bonds due 2029 with an initial conversion price of HK\$6.37 per ordinary share. The convertible bonds were issued and listed on the Vienna Stock Exchange on 6 February 2026.

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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:

	2025 RMB'000	2024 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	1,925,194	1,697,703
Financial assets at fair value through profit or loss	1,052,228	1,046,111
Total non-current assets	2,977,422	2,743,814
CURRENT ASSETS		
Due from subsidiaries	1,503,207	1,530,481
Prepayments	2,746	44,684
Cash and cash equivalents	414,467	22,010
Total current assets	1,920,420	1,597,175
CURRENT LIABILITIES		
Due to subsidiaries	105,523	108,353
Other payables and accruals	47,659	51,625
Interest-bearing bank borrowings	200,005	760,847
Xtep Convertible Bonds	452,016	–
Derivative financial instruments	49,517	72,982
Total current liabilities	854,720	993,807
NET CURRENT ASSETS	1,065,700	603,368
TOTAL ASSETS LESS CURRENT LIABILITIES	4,043,122	3,347,182
NON-CURRENT LIABILITIES		
Xtep Convertible Bonds	882,345	856,786
Interest-bearing bank borrowings	–	366,607
Total non-current liabilities	882,345	1,223,393
NET ASSETS	3,160,777	2,123,789
EQUITY		
Share capital	24,701	23,548
Treasury shares	(133,128)	(294,563)
Equity component of convertible bonds	101,998	85,848
Reserves (note)	3,167,206	2,308,956
Total equity	3,160,777	2,123,789

NOTES TO FINANCIAL STATEMENTS

31 December 2025

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 RMB'000	Total RMB'000
At 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 and 1 January 2025	2,224,677	15	–	54,145	30,119	2,308,956
Profit for the year	–	–	–	–	985,642*	985,642*
Other comprehensive loss:						
Exchange realignment	–	–	–	(72,725)	–	(72,725)
Total comprehensive income/(expense) for the year	–	–	–	(72,725)	985,642*	912,917
Equity-settled share award arrangement	–	–	46,058	–	–	46,058
Awarded shares vested	–	–	–	–	(883)	(883)
Disposal of treasury shares	55,358	–	–	–	–	55,358
2024 final dividend declared and paid	–	–	–	–	(223,404)	(223,404)
2025 interim dividend declared and paid	–	–	–	–	(447,605)	(447,605)
Shares issued in lieu of cash dividend	60,923	–	–	–	–	60,923
Issue of shares	454,886	–	–	–	–	454,886
At 31 December 2025	2,795,844	15	46,058	(18,580)	343,869	3,167,206

* The balance as at 31 December 2025 included a dividend from a subsidiary of RMB1,005,397,000 (2024: RMB2,316,032,000).

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.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2026.

GLOSSARY

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings:

"2014 Share Award Scheme"	the share award scheme of the Company adopted on 1 August 2014 and expired on 1 August 2024
"2021 Xtep Convertible Bonds"	the 1.8% convertible bonds due 2027 in the principal amount of HK\$500,000,000 issued by the Company
"2024 Xtep Convertible Bonds"	the 3.5% convertible bonds due 2030 in the principal amount of HK\$500,000,000 issued by the Company
"2025 Share Award Scheme"	the share award scheme of the Company adopted on 28 April 2025
"2025 Share Option Scheme"	the share option scheme of the Company adopted on 28 April 2025
"2025 Share Schemes"	the 2025 Share Award Scheme and the 2025 Share Option Scheme
"2025 Xtep Convertible Bonds"	the 1.5% convertible bonds due 2026 in the principal amount of HK\$500,000,000 issued by the Company
"2026 Xtep Convertible Bonds"	the zero coupon convertible bonds due 2029 in the principal amount of HK\$500,000,000 issued by the Company
"Award(s)"	award(s) of the Awarded Shares by the Board to a Selected Participant, which may vest in the form of Awarded Shares or the actual selling price of the Awarded Shares in cash, as the Board may determine in accordance with the 2025 Share Award Scheme
"Award Price"	the price of the Awarded Shares granted by the Board to a Selected Participant as notified by the Board to such Selected Participant
"Awarded Shares"	in respect of a Selected Participant, such number of Shares awarded by the Board
"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
"Eligible Participants"	the individuals or entities who or which may participate in the 2025 Share Option Scheme or the 2025 Share Award Scheme (as the case may be), who could be (i) an Employee Participant; (ii) a Related Entity Participant; or (iii) a Service Provider Participant
"Employee Participants"	director(s) and employee(s) of the Group, including persons who are granted Options and/or Awards as an inducement to enter into employment contracts with the Group but excluding an employee or director who has submitted his/her resignation or whose contract of employment has been terminated (summarily dismissed or otherwise) by the Group

GLOSSARY

"GDP"	Gross domestic product
"Grant Date"	when an Option and/or Award has been accepted by the Grantee and/or Selected Participant (as the case may be) according to the 2025 Share Option Scheme or 2025 Share Award Scheme and a letter of grant, the date of such letter of grant in respect of the accepted Option or Award
"Grantees"	any Eligible Participant who is notified by the Board that he/she is eligible to participate in a grant of Options by the Board making a grant pursuant to the terms of the 2025 Share Option Scheme
"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
"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
"Option(s)"	the share option(s) granted or to be granted under the 2025 Share Option Scheme
"Option Period"	the period during which an Option may be exercised, being the period to be determined by the Board and specified in the letter of grant to the Grantee
"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

GLOSSARY

"R&D"	Research and development
"Related Entity Participants"	any director or employee of any holding company, fellow subsidiary or associated company of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Selected Participants"	any Eligible Participant who is notified by the Board that he/she is eligible to participate in a grant of Options or Awards under the 2025 Share Schemes
"Service Provider Participants"	<p>any person(s) who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group, including any of the following persons:</p> <ul style="list-style-type: none"> (a) person(s) or entity(ies) (as independent contractor(s), consultant(s), advisor(s) or otherwise) that provide(s) support or any advisory, consultancy, professional or other services to any members of the Group, including support or services in relation to design, research, development, marketing, innovation upgrading, strategic or commercial planning on corporate image, investor relations, product quality control, regulations and policies; (b) supplier(s) of goods or services, such as raw materials, production services, logistic services, marketing services, administrative services, to any members of the Group; and (c) business partner(s), including franchisee(s), contractor(s) or agent(s) of any members of the Group, including partners of brand businesses development, franchisees of retail stores, contractors for marketing campaigns, quality control procedures, manufacturing operations or systems establishment, and agents relating to sale channels or platforms; <p>provided that (i) placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or (ii) professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity shall not be Service Provider Participants for the purpose of the 2025 Share Schemes or any other share schemes of the Group</p>
"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 sportswear business of the core Xtep brand
"X Young"	The children's sportswear business of the core Xtep brand

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