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Xtep International Holdings Limited

特步國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1368)

2025 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- Revenue of the Group's continuing operations increased by 7.1% to RMB6,837.6 million (1H2024: RMB6,381.7 million), driven by the stable performance of the core Xtep brand and robust growth of the professional sports segment.
- Revenue of the core Xtep brand increased by 4.5% to RMB6,052.5 million (1H2024: RMB5,789.2 million). Revenue of the professional sports segment climbed by 32.5% to RMB785.1 million (1H2024: RMB592.5 million).
- Operating profit of the Group's continuing operations grew by 9.1% to RMB1,304.8 million (1H2024: RMB1,195.8 million). Operating profit of the professional sports segment recorded a substantial increase of 236.8% to RMB78.6 million (1H2024: RMB23.3 million).
- Including a loss of RMB106.4 million from the discontinued operation, K-SWISS and Palladium, in 1H2024, profit attributable to ordinary equity holders of the Company for 1H2025 amounted to RMB913.6 million (1H2024: RMB752.1 million), up 21.5%.
- Balance sheet remained healthy with strong cash position. Net cash and cash equivalents increased by 94.3% to RMB1,912.8 million (31 December 2024: RMB984.7 million).
- The Board has declared an interim dividend of HK18.0 cents per Share (1H2024: HK15.6 cents), with an option to receive scrip shares in lieu of cash, representing a dividend payout ratio of 50.0% (1H2024: 50.0%).
- As at 30 June 2025, there were 6,360 Xtep Adult and 1,564 X Young branded stores in Mainland China and overseas, respectively. Saucony recorded 155 stores in Mainland China.

The Board of Directors (the “**Board**”) of Xtep International Holdings Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (together referred to as the “**Group**”) for the six months ended 30 June 2025. This announcement, containing the full text of the 2025 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to information to accompany preliminary announcements of interim results.

ABOUT THE GROUP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange in 2008. The Group is principally engaged in the design, development, manufacturing, sales, marketing and brand management of sports products including footwear, apparel and accessories for adults and children. With its core Xtep brand, as well as Saucony and Merrell within 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.



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INTERIM RESULTS AT A GLANCE



Revenue

RMB 6,838m

▲ 7.1%

Profit attributable to
ordinary equity holders**RMB 914m**

▲ 21.5%



Net cash and cash equivalents

RMB 1,913m

As at 31 December 2024: RMB 985m



Operating profit margin

19.1%

▲ 0.4% pt



Interim dividend per Share

HK 18.0 cents

Payout ratio: 50.0%



Net asset value per Share

RMB 3.55

As at 31 December 2024: RMB 3.24

CORPORATE STRATEGY

CONTINUOUS FOCUS
ON RUNNING

Mass market

XTEP

Premium market

saucony**MERRELL**

No.1

Running brand in China

FIVE-YEAR FINANCIAL SUMMARY

For the six months ended 30 June

	2025	2024	2023	2022	2021
Profitability data (RMB Million)					
Revenue ^(Note 11)	6,837.6	6,381.7	5,773.8	5,054.1	3,673.0
Gross profit ^(Note 11)	3,073.7	2,875.5	2,483.0	2,136.1	1,528.7
Operating profit ^(Note 11)	1,304.8	1,195.8	1,074.7	954.7	724.1
Profit attributable to ordinary equity holders	913.6	752.1	665.4	590.4	426.5
Basic earnings per Share (RMB cents) ^(Note 1)	34.55	29.66	26.36	23.47	17.09
Profitability ratios (%)					
Gross profit margin ^(Note 11)	45.0	45.1	43.0	42.3	41.6
Operating profit margin ^(Note 11)	19.1	18.7	18.6	18.9	19.7
Net profit margin ^(Note 11)	13.4	11.8	11.5	11.7	11.6
Effective tax rate ^(Note 11)	28.7	25.4	24.1	32.5	32.2
Return on average total equity holders' equity (annualized) ^(Note 2)	19.7	16.4	15.7	14.6	11.5
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	12.6	12.6	13.4	10.1	10.1
Staff costs	10.2	10.3	9.4	11.2	11.5
R&D costs	2.8	2.5	3.0	2.1	2.6

As at 30 June

	2025	2024	2023	2022	2021
Assets and liabilities data (RMB million)					
Non-current assets	4,463.9	5,335.0	4,648.8	3,907.6	3,682.0
Current assets	12,709.9	12,197.0	11,974.4	11,891.5	8,936.0
Current liabilities ^(Note 12)	5,774.2	5,764.3	6,288.7	5,328.2	3,295.5
Non-current liabilities ^(Note 12)	1,523.6	2,326.5	1,537.0	2,140.8	1,677.9
Non-controlling interests	-	-	69.1	52.9	70.3
Total equity holders' equity	9,876.0	9,441.2	8,728.4	8,277.2	7,574.3
Asset and working capital data					
Current asset ratio	2.2	2.1	1.9	2.2	2.7
Gearing ratio (%) ^(Note 3)	13.4	16.8	19.7	18.9	15.4
Net asset value per Share (RMB) ^(Note 4)	3.55	3.57	3.34	3.16	2.91
Average inventory turnover days (days) ^(Note 5)	94	94	115	106	79
Average trade receivables turnover days (days) ^(Note 6)	126	114	106	102	112
Average trade payables turnover days (days) ^(Note 7)	115	123	123	138	114
Overall working capital turnover days (days)	105	85	98	70	77
Rolling average inventory turnover days (days) ^(Note 8)	91	100	107	93	81
Rolling average trade receivables turnover days (days) ^(Note 9)	118	100	92	87	110
Rolling average trade payables turnover days (days) ^(Note 10)	119	110	111	112	123
Rolling overall working capital turnover days (days)	90	90	88	68	68

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 period.
- Return on average total equity holders' equity is equal to the profit attributable to ordinary equity holders of the Company for the period 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 period.
- The calculation of net asset value per Share is based on the total number of Shares in issue at the end of the period.
- Average inventory turnover days is equal to the average of opening and closing inventory divided by costs of sales and multiplied by 183 days.
- Average trade receivables turnover days is equal to the average of opening and closing trade receivables divided by revenue and multiplied by 183 days.
- Average trade payables turnover days is equal to the average of opening and closing trade payables divided by cost of sales and multiplied by 183 days.
- Rolling average inventory turnover days is equal to the average of opening and closing inventory of the 12-month period up to 30 June of the relevant year (or average of opening and closing inventory of continuing operations of the 12-month period up to 30 June 2025) divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2024).
- Rolling average trade receivables turnover days is equal to the average of opening and closing trade receivables of the 12-month period up to 30 June of the relevant year (or average of opening and closing trade receivables of continuing operations of the 12-month period up to 30 June 2025) divided by revenue during the corresponding period and multiplied by 365 days (or 366 days in 2024).
- Rolling average trade payables turnover days is equal to the average of opening and closing trade payables of the 12-month period up to 30 June of the relevant year (or average of opening and closing trade payables of continuing operations of the 12-month period up to 30 June 2025) divided by costs of sales during the corresponding period 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 June 2024 were re-presented as discontinued operation in the interim financial information 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.
- Due to the adoption of the revised HKFRSs in 2024, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made, and certain comparative amounts have been reclassified and restated to conform with the presentation and accounting treatment. The balances and ratios for each year in the five-year financial summary have been adjusted for the effects of the retrospective changes arising from the adoption of revised HKFRSs in 2024.

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
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Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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HEAD OFFICE IN THE PRC

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Postal Code 361008

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP

AUDITOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.xtep.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

China's macroenvironment is on a path to gradual recovery, supported by the implementation of government policies aimed at stimulating the economy. In the first half of 2025, China's gross domestic product and total retail sales of consumer goods achieved steady growth of 5.3% and 5.0%, respectively. Driven by the sustained increase in sports participation, a greater focus on health and wellness, and robust demand for sporting goods, the sports industry experienced healthy growth momentum, particularly in the running sector. Our strategy to lead the running sector has yielded tangible results, with both the core Xtep brand and Saucony achieving retail sales growth of mid-single digit and over 30%, respectively, in the first half of 2025.

PERFORMANCE REVIEW

In the first half of 2025, revenue of the Group's continuing operations increased by 7.1% to RMB6,837.6 million (1H2024: RMB6,381.7 million). Revenue of the core Xtep brand increased by 4.5% to RMB6,052.5 million (1H2024: RMB5,789.2 million). Revenue of the professional sports segment climbed by 32.5% to RMB785.1 million (1H2024: RMB592.5 million). Gross profit margin of the Group's continuing operations reached 45.0% (1H2024: 45.1%). Operating profit of the Group's continuing operations grew by 9.1% to RMB1,304.8 million (1H2024: RMB1,195.8 million). Profit attributable to ordinary equity holders of the Company amounted to RMB913.6 million (1H2024: RMB752.1 million), up 21.5%. Basic earnings per Share were RMB34.6 cents (1H2024: RMB29.7 cents). The Board has declared an interim dividend of HK18.0 cents per Share (1H2024: HK15.6 cents), with an option to receive scrip shares in lieu of cash, representing a dividend payout ratio of 50.0% (1H2024: 50.0%).

RUNNING-CENTRIC APPROACH TO SOLIDIFY MARKET LEADERSHIP

Our strategic focus on running has solidified our unparalleled position as China's leading running brand. At the 2025 Xiamen, Wuxi and Lanzhou Marathons, the core Xtep brand achieved the highest wear rate among runners who completed the marathons within three hours, as well as the top overall wear rate. Meanwhile, Saucony ranked third in wear rate at the 2025 Xiamen and Lanzhou Marathons, and achieved second place in overall wear rate for the first time at the 2025 Wuxi Marathon, outperforming all international rivals. These achievements perfectly demonstrate Xtep's unrivaled dominance and the effectiveness of its "professional-to-mass influence" strategy, illustrating the core Xtep brand's success in resonating deeply with a broader mass market audience and expanding running sector share, while simultaneously celebrating Saucony's remarkable ascent.

Building on the outstanding reputation of its highly acclaimed flagship running products, the core Xtep brand has expanded its portfolio to drive growth, maintained its dominance in the running market, and enhanced brand recognition among mass market consumers. By capitalizing on the increasing momentum of marathon participation in China, the core Xtep brand is well positioned to deepen its influence in the running landscape and capture greater mass market share.

CHAIRMAN'S STATEMENT

LEVERAGING EMERGING CONSUMPTION TRENDS FOR SUSTAINABLE GROWTH

Brands resonating with consumer values now lead China's consumer market. As a prestigious running brand with a century-long heritage, Saucony has navigated the evolving consumer landscape by forging emotional connections and defining the elite athletic lifestyle among elite consumers in China. Through high-end marketing campaigns that emphasize community, quality, and technical excellence, Saucony has attracted professional runners and social elites in China. The brand's relentless commitment to advancing the professional running product offerings continues to bolster the reputation and market share in China, solidifying our premium positioning. As part of our ongoing efforts to capitalize Saucony's brand and expands our business scale, we are thrilled to be introducing new apparel and lifestyle collections in the second half of 2025, designed to complement our strong professional product lines. We expect that these initiatives, together with the expansion into premium shopping malls in higher-tier cities through the launch of new flagship and concept stores, will create immersive shopping experiences, enable Saucony to broaden its customer base and maximize store efficiency. We are optimistic about Saucony's future and recognize its key role in advancing the Group's commitment to sustainable growth.

Meanwhile, the significant growth in the number of people participating in outdoor activities indicates a sustained interest in outdoor sports, enabling Merrell to expand its market presence in China over the long term. By leveraging its expertise in providing outdoor adventurers with products ideal for exploring diverse natural terrains, Merrell has capitalized on the growing outdoor trend and achieved successful expansion, particularly through e-commerce platforms.

FOSTERING RESILIENCE AMID MARKET DYNAMICS

The long-term support of government policies promoting the development of the sports industry has further strengthened our optimism about the prospects of the sportswear market. We are poised to maintain our leadership in the running industry and to maximize synergies between the core Xtep brand and Saucony to capture the Group's market share. We are strategically positioned to expand our presence in both higher- and lower-tier cities, with the core Xtep brand targeting the mass market and Saucony focused on the premium segment. As China's retail market continues to evolve, we expect to achieve further success in retail network management through our investment in a direct-to-consumer (DTC) strategy. This approach will enable us to respond swiftly to shifting consumer preferences and enhance customer engagement, paving the way for sustained growth in this dynamic market.

I would like to thank each member of our team for their exceptional commitment and hard work, which have been instrumental in driving Xtep forward. I am also deeply appreciative of our shareholders for their unwavering support of our vision and strategies. In recognition of this trust, the Group will continue to strive for excellence and to create maximum value for our shareholders.

Mr. Ding Shui Po*Chairman*

Hong Kong, 18 August 2025

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET DEVELOPMENT

Marathon ignites sports consumption in China

In the first half of 2025, running reached unprecedented popularity across China, with a record-breaking 420,000 runners participating in 32 marathon events on 30 March alone, according to China Marathon. Despite the rapid increase in races, supply still lagged soaring demand, making entry into major marathons fiercely competitive. This frenzy is reflected in the staggering registration numbers for 2025 events, including the Wuhan, Chongqing, and Wuxi Marathons. In particular, the Wuxi Marathon attracted 429,000 applicants but accepted only 6% for the full marathon, speaking clearly to China's burgeoning enthusiasm for endurance sports. With no signs of slowing, this marathon boom is fueling strong demand for high-performance running gear, from advanced footwear to smart wearables, as both amateurs and professionals are investing more in premium products to enhance performance and comfort. This trend not only underscores the maturing running culture in China, but is also driving steady growth of the sports retail industry.

Rise of niche sportswear brands redefining retail

In today's competitive retail landscape, an increasing number of consumers are seeking brands that resonate with them personally and defy mainstream offerings. This quest for individuality has given rise to niche sportswear labels that prioritize exceptional craftsmanship, innovative design, and self-expression over mass-market appeal. In the first half of 2025, these niche brands continued to outpace their mainstream counterparts. By blending authentic storytelling with socially conscious values and data-driven digital engagement, particularly among China's discerning youth demographic, these agile brands are capturing market share. As retail spending shifts from a transactional to a relational focus, these niche innovators are redefining success in an era where distinction drives dominance.



Yang Shaohui

Chinese men's
champion at Wuxi
Marathon

Xu Bingjie

Chinese women's
champion at Wuxi
Marathon

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Running

**Strengthening our lead
as China's top running
brand**


Xtep has once again redefined the benchmark for excellence in China's running revolution, achieving an unprecedented feat in Chinese marathon history. In the first half of 2025, we dominated both ends of the marathon spectrum. This meant that we not only maintained our reign as the preferred choice of elite athletes, achieving the highest wear rate among sub-three-hour finishers, but also secured the top overall wear rates at three flagship events — the Xiamen, Wuxi, and Lanzhou marathons. This dual victory — simultaneous leadership among professionals and mass participants — stands as powerful validation of our “professional-to-mass influence” strategy.

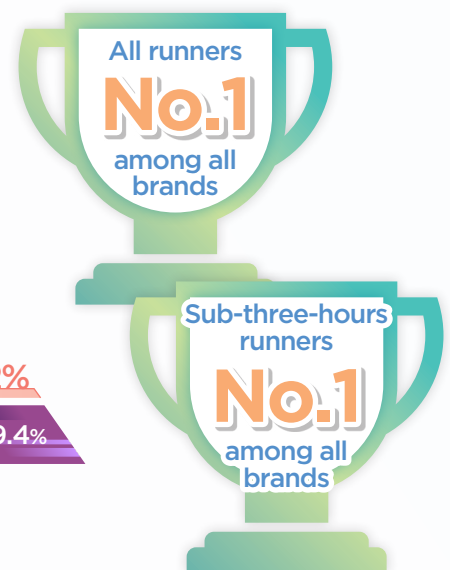
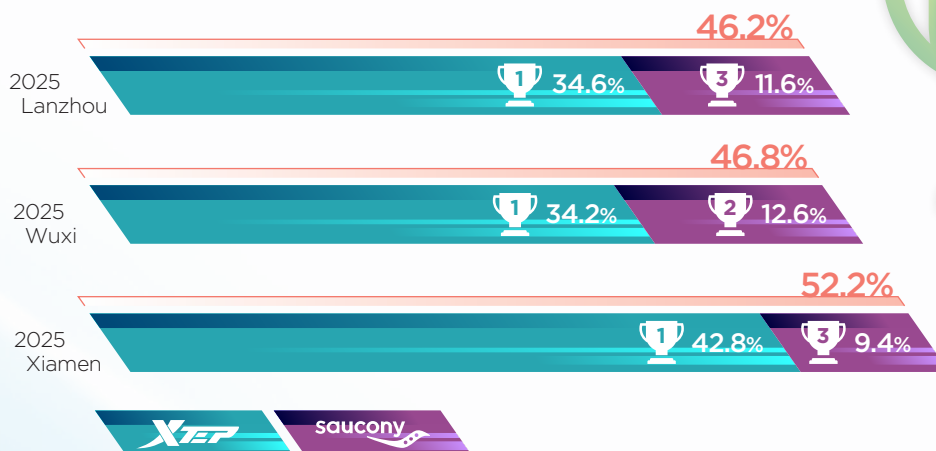
Meanwhile, Saucony surpassed expectations, emerging as the top-performing international brand in overall wear rate across the three major marathons. Notably, it secured second place at the 2025 Wuxi Marathon, setting a new brand record and outperforming all other international brands.

Victory-engineered “160X” series

Xtep's “160X” championship running shoes have continued to usher in an unprecedented era of excellence in Chinese marathon running, empowering athletes to redefine the limits of speed on both national and global stages. As at 31 July 2025, Xtep has empowered 107 elite athletes to win 507 championship titles.

Wearing the “160X 6.0 PRO” at the 2025 Boston Marathon, Tebello Ramakongoana delivered the best-ever performance by an athlete wearing Chinese running shoes in the event's history. At the 2025 Tokyo Marathon, He Jie achieved his personal best overseas performance, while Yang Shaohui, wearing the “160X” running shoe, made Chinese history by breaking the elusive sub-2:10 barrier. Yang Shaohui's record-breaking momentum continued at the illustrious Xiamen Marathon, a World Athletics Platinum Label race, where he broke the Chinese men's marathon record. Our “160X” series also helped Yang Shaohui and Xu Bingjie win domestic championships in the Wuxi Marathon.

In August, we unveiled the “160X 7.0 PRO”, featuring “XTEP ACE+” midsole technology and “XTEP DURA” to offer runners enhanced rebound, propulsion, and slip resistance.

**Xtep and Saucony's overall wear rate
at the three major marathons in China**


“360X 2.0” carbon-plated running shoe

On 1 March, Xtep debuted the next-generation “360X 2.0” carbon-plated running shoe at the “10th 321 Running Festival”. Engineered for versatility, the upgraded model provides superior stability and adaptive responsiveness, making it ideal for both competitive training and everyday running. The “360X 2.0” has emerged as one of our best sellers, generating significant market demand due to its exceptional value proposition and widespread recognition in the mass market.

“QING YUN” flagship cushioning running shoe series

In February, Xtep launched its brand-new “QING YUN” flagship cushioning running shoe, designed to provide a “peace of mind in every step” running experience. The new series features three core technologies: the “XTEP ACE” full-length cushioning midsole, which significantly reduces pressure on the ankles and knees; the “XTEP POWER” built-in T400 carbon fiber plate; and the “XTEP FIT” wide toe box design, which is tailored to the foot shape of Chinese people, ensuring a more comfortable and ergonomic fit.

QINGYUN



160X7.0 PRO

Comprehensive performance collection

PRICE RANGE (RMB)		
1,700 ← 900	800 ← 500	500 ← 200
Elite series	Professional series	Mass market series
 160X 7.0 MONXTER RMB1,699	 260X 2.0 RMB799	 360X 2.0 LITE RMB499
 160X 7.0 PRO RMB1,299	 260X RMB799	 2,000 KM RMB499
 160X 6.5 PRO RMB1,299	 XTEP 100 2.5 PRO RMB799	 REACTIVE COIL 12 RMB499
 160X 6.0 PRO RMB1,299	 QING YUN 1.0ST RMB799	 FEATHER FOAM RMB439
 ZOUWU PRO RMB1,099	 360X 2.0 RMB599	 ULTRA FAST RMB399
 160X 7.0 RMB999	 360X RMB599	 QING YUN LITE RMB399
 160X 6.5 RMB999	 QING YUN 1.0 RMB599	 QING YUN GO RMB299



The shoes are equipped with carbon fiber plate.

MANAGEMENT DISCUSSION AND ANALYSIS



Cultivating a thriving running community

For over 15 years, Xtep has been at the forefront of fitness promotion in China, committed to driving progress in China's athletic landscape. By establishing strong partnerships with elite marathon runners and cultivating a dynamic, inclusive running culture, we have successfully built China's largest running network.

Marathons and running events

In the first half of 2025, we strategically allocated resources to strengthen our sponsorship portfolio, partnering with 27 marathons and running events across China. This included the Xiamen Marathon, a World Athletics Platinum Label race that we have proudly sponsored for 17 consecutive years. We also supported a number of Gold Label events, including the Chongqing Marathon, the Wuhan Marathon, and the Yangzhou Jianzhen Half Marathon, reinforcing our commitment to fostering excellence in the running industry.

Collaboration with Unitree Robotics to showcase sports tech prowess

In June, the 13th Versailles Royal Run took place in the iconic Gardens of the Palace of Versailles in France, attracting more than 23,000 participants from around the world. As the official partner and exclusive sports equipment sponsor, Xtep leveraged this prestigious platform to demonstrate the innovative synergy between athletic performance and cutting-edge technology. During the event, Unitree's humanoid robot made its public debut wearing Xtep's high-performance running apparel and footwear, marking the first time a Chinese sports brand has equipped a humanoid robot on the international stage. This milestone not only highlighted Xtep's leadership in merging sportswear with intelligent technology, but also reinforced its mission to promote global recognition of China's advancements in athletic innovation.

Major marathons and running events sponsored by Xtep in 1H2025

JAN

- ◆ Shishi Marathon
- ◆ Xiamen Marathon

MAR

- ◆ Chongqing Marathon
- ◆ Wuhan Marathon
- ◆ Yangzhou Jianzhen Half Marathon
- ◆ Rushan Women's Half Marathon

APR

- ◆ Jiangyin Half Marathon

MAY

- ◆ Hangzhou Women's Half Marathon



Xtep Running Clubs

Xtep Running Clubs are located in premier urban parks and high-traffic running destinations in China, providing comprehensive professional services to members. These services include personalized running guidance, organized group activities, charging stations, and shower facilities. By hosting carefully curated events at club venues and in collaboration with affiliated running groups, we actively cultivate community participation while strengthening the growth and connectivity of our running ecosystem.

In February, Xtep Runners Club launched the “Running in the Greater Bay Area” initiative at Shenzhen’s Longcheng Park. Spanning 30 days and 11 cities, including Hong Kong, Macau, Dongguan, and Guangzhou, the event featured a 10-kilometer urban challenge and a business school competition. Government representatives, corporate teams, and avid runners participated in the event. Through this campaign, Xtep Runners Group reinforced its commitment to combining running culture with regional tourism and inspiring wider community engagement in fitness activities.



Xtep
Running Clubs
70



Xtep Runners
Club Members
2,400,000+



Xtep
Runners Groups
6,200+



MANAGEMENT DISCUSSION AND ANALYSIS

Outdoor

Capitalizing on the rapid growth of China's outdoor activities, we expanded our product portfolio and consequently achieved strong retail sales growth. In the first half of 2025, we introduced two high-performance collections, the "FEI SHI" hiking shoe and sandal, and the "SHAN MAO" trail running shoe. Engineered with advanced shock absorption and anti-slip technology, these collections empower outdoor enthusiasts to tackle rugged terrain with confidence and comfort.

Basketball

As part of its unwavering commitment to promoting excellence in sports, Xtep collaborated with brand ambassador Jeremy Lin to champion the development of basketball culture in China. During a strategic engagement in Shenyang in July, Lin spearheaded a series of impactful initiatives, including the grand opening of the Xtep Shenyang store, a signing event, and an interactive basketball competition at Northeastern University, where he provided students with elite-level training and inspiration.

In addition, Xtep equipped the next generation of athletes for success as the official equipment sponsor of the 7th Asian University 3x3 Basketball Championship. This year, we provided professional basketball gear to rising stars from 14 universities across eight Asian countries and regions, blending cutting-edge technology with bold, performance-driven design.



Retail management and branding

Xtep's retail excellence has strengthened our competitive edge, deepened customer trust, and fueled sustained growth in sales and market share. Our next-generation stores feature immersive designs enhanced by smart lighting, interactive digital interfaces, and AI-powered displays, which have increased the cross-selling ratio and extended customer dwell time. By seamlessly integrating cutting-edge technology with premium in-store service, we have fostered deeper engagement with tech-savvy consumers, resulting in measurable gains in brand preference and repeat purchases among our core audience.

As at 30 June 2025, there were 6,360 Xtep Adult branded stores, mainly operated by authorized distributors in Mainland China and overseas (31 December 2024: 6,382).



Number of Xtep Adult
branded stores in Mainland
China and overseas as at
30 June 2025

6,360



MANAGEMENT DISCUSSION AND ANALYSIS

E-commerce

The e-commerce business remained a powerhouse of growth in the first half of 2025, accounting for over 30% of the core Xtep brand's total revenue. By leveraging data-driven insights, we developed customized strategies for each digital channel to achieve precise audience targeting, maximize conversion efficiency, and enhance engagement. These platform-specific initiatives have cemented online sales as a critical revenue stream, recording double-digit year-on-year growth.

X Young

As a national brand with 13 years of experience in children's sports, Xtep has consistently prioritized child development and empowered young athletes through proven technology and holistic health development solutions. This strategic focus on innovation to safeguard children's development has not only strengthened our brand reputation, but also driven the sustained growth of our business, positioning us as a trusted leader in children's sportswear and health solutions.

“Xtep Growth Shoes” to support children's growth through sports

In August, we launched the “Xtep Growth Shoes” series, which features three innovative technologies including a wide toe box, an arch support insole, and a firm heel counter, all designed to offer exceptional support and stability. In addition, the brand pioneers the advanced concept of “growth science” in sports gear, integrating AI-powered smart detection and professional scientific exercise programs to support growth development through sports for children, marking a new beginning under the new X Young brand.

Publishing the *Blue book on China Youth Sports and Growth*

To align X Young's development with the national strategic focus on the growth of the next generation, we partnered with eight authoritative institutions, including the Department of Maternal and Child Health of the National Health Commission, the Institute of Sports Medicine at Peking University Third Hospital, and the Tsinghua University Sports and Health Science Research Center, to publish the *Blue Book on China Youth Sports and Growth*. This blue book addresses key topics such as adolescent growth development, sports science, and appropriate sports equipment, offering evidence-based guidance for enhancing youth height growth through sports.

As at 30 June 2025, there were 1,564 X Young stores in Mainland China (31 December 2024: 1,584), predominantly operated by the Group's authorized distributors.





Professional sports

Saucony achieved a major milestone in 2024 by surpassing RMB1 billion in revenue, and it continued its strong performance into 2025. In the first half of the year, the professional sports segment recorded robust year-on-year growth of 32.5%, generating RMB785.1 million in revenue and contributing 11.5% of the Group's total revenue. The segment also saw a significant rise in profitability, with operating profit reaching RMB78.6 million — a substantial increase from RMB23.3 million in the same period last year.

Business development

Saucony has solidified its position as a top choice among competitive runners, gaining widespread recognition for its high-performance gear. The brand consistently ranks among the most-worn international labels at major marathons in China, highlighting its prestigious reputation. To further elevate its high-end sports image, Saucony has undergone a bold transformation, refining everything from its brand positioning to its store designs and product lines. Premium flagship stores are now debuting in upscale malls, while an innovative lineup of running apparel and lifestyle gear is expanding its appeal beyond professional athletes. Through this strategic evolution, Saucony has masterfully balanced its performance heritage with contemporary retail innovation, attracting new consumers while deepening brand loyalty. As at 30 June 2025, there were 155 Saucony stores in Mainland China.

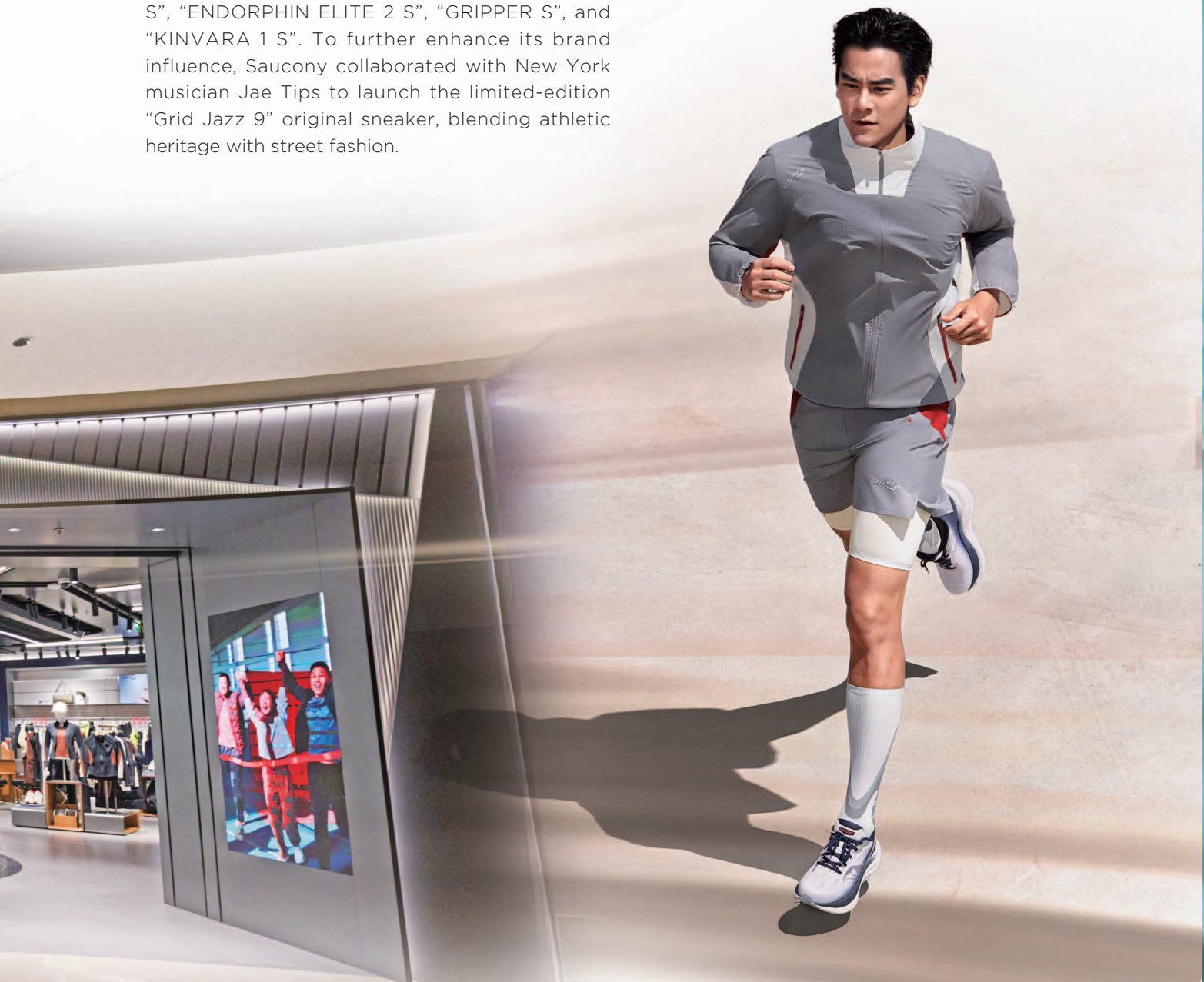


MANAGEMENT DISCUSSION AND ANALYSIS

Product innovation and marketing

In the first half of 2025, Saucony's newly launched performance running shoes, including the "TRIUMPH 23", "ENDORPHIN ELITE 2", "KINVARA 16", and "ENDORPHIN SPEED 5", empowered runners with unmatched comfort. A particularly notable success occurred when rising star Ma Rui clinched the men's championship at the 2025 Shanghai Suzhou Creek Half Marathon while wearing the cutting-edge "ENDORPHIN ELITE 2" shoe. Meanwhile, Saucony continued to impress the market with its innovative apparel and lifestyle offerings. The brand strengthened its lifestyle appeal by renewing its partnership with TEENIE WEENIE, through which it introduced the co-branded "CANYON WLK" sneaker. Saucony also elevated its premium offerings with the debut of "SILO", a high-end collection featuring four sophisticated designs: "GRID X ULTRA S", "ENDORPHIN ELITE 2 S", "GRIPPER S", and "KINVARA 1 S". To further enhance its brand influence, Saucony collaborated with New York musician Jae Tips to launch the limited-edition "Grid Jazz 9" original sneaker, blending athletic heritage with street fashion.

Merrell continues to upgrade outdoor performance gear, empowering trail runners to conquer new trails. Its innovative "VAST SKY" trail running series debuted in early 2025, merging cutting-edge technology with all-day wearability to set a new standard for trail footwear. To coincide with the launch, Merrell hosted an immersive "VAST SKY" Trail Running Training Camp in Shanghai, where runners tested the collection along the iconic West Bund waterfront, fusing urban energy with outdoor endurance. These initiatives reflect Merrell's mission of inspiring a spirit of exploration and fostering a deeper connection between people and nature.





Sustainability

MSCI ESG Ratings upgraded to “AA”

In August 2025, Xtep became the first company in China's sporting goods industry to receive an MSCI ESG Rating of “AA”, achieving four consecutive years of rating upgrades. This recognition highlights our substantial progress in critical areas, including product carbon footprint, supply chain labour standards, chemical safety and labour management, reflecting our continuous commitment and remarkable success in ESG practices.

Commitment to achieving zero discharge of hazardous chemicals

Demonstrating our commitment to sustainable manufacturing, Xtep has taken proactive steps to eliminate hazardous chemicals from our supply chain. The Group recently became a signatory to the “Zero Discharge of Hazardous Chemicals” initiative, further reinforcing its environmental stewardship. To drive meaningful change, Xtep organized a supplier training conference centered on chemical management best practices, collaborating with industry partners to advance the adoption of green alternatives and ensure strict compliance regulations. These efforts underscore Xtep's dedication to responsible production while setting a new benchmark for ecological accountability in manufacturing.



Advancing a circular ecosystem in fashion

On Earth Day, Xtep successfully launched a clothing recycling initiative, attracting more than 3,400 participants and collecting over 2,900 kg of used clothing. The campaign had a tangible environmental impact, cutting carbon emissions by approximately 10,000 kg, which is equivalent to the carbon absorption of 550 fir trees. By repurposing discarded textiles, we demonstrated our commitment to green business and encouraging sustainable consumer behavior.

MANAGEMENT DISCUSSION AND ANALYSIS



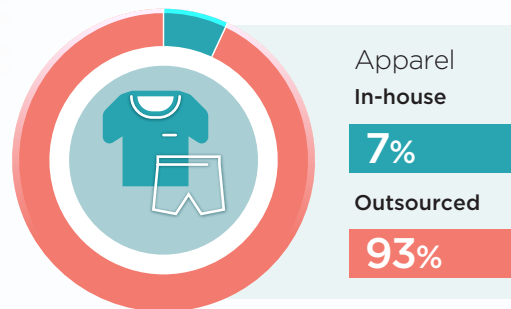
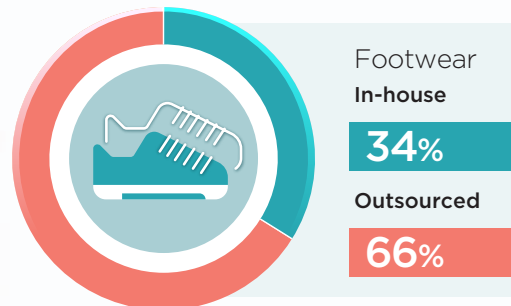
Operations management

Supply chain management

Leveraging our integrated supply network, we drive operational excellence through synchronized material procurement and manufacturing optimization. Our vertically coordinated approach to footwear and apparel production ensures supply chain resilience while maximizing throughput efficiency.

The construction of the second phase of the in-house production facility in Shishi, Fujian Province is well underway. The new facility covers an area of 170,000 square meters and will utilize advanced automated footwear production systems, significantly enhancing our capacity to meet growing market requirements while maintaining stringent quality standards. Of this space, 30,000 square meters became operational in January 2025.

The construction of the Jinjiang Logistics Park in Fujian Province is also progressing, marking a major upgrade to our supply chain infrastructure. With a total planned gross floor area of 240,000 square meters, this centralized distribution hub will optimize the direct delivery of finished goods to retail stores, enhancing operational efficiency and inventory turnover. The first phase, spanning 120,000 square meters of advanced warehousing and distribution facilities, is on track to commence operations in the first half of 2026 through a strategic collaboration with SF Express, a global leader in logistics.



Human resources management

As at 30 June 2025, the Group employed approximately 8,900 people (31 December 2024: approximately 8,900 people), of whom 59.7% were production workers (31 December 2024: 57.4%). Our human resources strategy adopts a performance excellence framework that facilitates transparent career progression pathways and compensation benchmarking. These talent development initiatives directly support our organizational growth objectives while maintaining a competitive workforce.

Furthermore, Xtep has provided diversified training courses in professional excellence, leadership development, and cultural operations management through a multi-tiered, graded, and categorized talent development model. As of 30 June 2025, the program has delivered over 390,000 training hours through online and offline channels, driving measurable improvements in workforce competency.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospects

The Group's strategic focus on the running sector has established a robust framework for long-term success. Through continuous innovation and significant investment in research and development of this field, we have created an industry-leading running ecosystem and consolidated our position as China's top running brand. We will continue to leverage the synergistic strengths of our core portfolio — Xtep, Saucony, and Merrell — to create a stronger collective impact and further expand our market presence.

Xtep's "160X" running shoe series has become a game-changer in competitive racing, helping countless athletes achieve victory and emerging as the most popular choice in elite marathons, cementing the brand's reputation as a leader in performance footwear. As a homegrown leader committed to delivering premium yet value-for-money gear, Xtep continues to push technological boundaries, designing shoes that cater to the distinct running styles of Chinese athletes, enabling them to surpass their personal bests. Building on this momentum, we will elevate our retail strategy by adopting a direct-to-consumer (DTC) model in the second half of 2025. By accelerating our responsiveness to shifting consumer demands and delivering superior shopping experiences, we can enhance product innovation, optimize marketing strategies, and boost operational efficiency, thereby laying the foundation for sustainable long-term growth.

With its clear brand positioning as a running heritage leader boasting a century-old history, Saucony has solidified its role as the Group's second growth engine. Its dominance in China's major marathons — where it now ranks as the top-worn international brand — further reinforces its legacy in professional running. Beyond advancing the R&D of high-performance running products, we are intensifying our brand-building efforts to deepen engagement with professional runners and social elites in China. In the second half of 2025, we will launch innovative flagship and concept stores in prime locations, alongside an expanded apparel and lifestyle collection. To complement this brand elevation, we are overhauling our e-commerce platform to ensure seamless integration of our online and offline offerings, paving the way for the next chapter of Saucony's growth in China's premium sportswear market.

The sportswear sector continues to demonstrate resilient demand, supporting stable growth expectations. We remain optimistic about the industry outlook for the second half of 2025, driven primarily by structural tailwinds such as rising health awareness, continued growth in running participation, and government-led incentives to boost consumption. Our competitive position is further strengthened by an optimized supply chain infrastructure, enabling us to respond swiftly to evolving consumer trends and emerging market opportunities. We are confident in our ability to further enhance value creation while effectively managing near-term volatility.

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 June 2024 was re-presented as discontinued operation in the interim financial information accordingly. The financial results presented in the financial review were re-presented for the continuing operations.

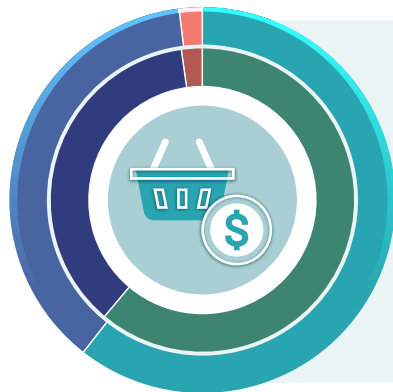
Group Revenue Breakdown by Product Category

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

For the six months ended 30 June

	2025 Revenue (RMB Million) (% of Revenue)		2024 Revenue (RMB Million) (% of Revenue)		Change in revenue (%)
Footwear	4,154.1	60.8	3,908.4	61.3	6.3
Apparel	2,552.3	37.3	2,331.0	36.5	9.5
Accessories	131.2	1.9	142.3	2.2	-7.8
Total	6,837.6	100.0	6,381.7	100.0	7.1

Percentage of revenue



	1H2025	1H2024
Footwear	60.8%	61.3%
Apparel	37.3%	36.5%
Accessories	1.9%	2.2%

Group Revenue Breakdown by Brand Nature

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

For the six months ended 30 June

	2025 Revenue (RMB Million) (% of Revenue)		2024 Revenue (RMB Million) (% of Revenue)		Change in revenue (%)
Mass market	6,052.5	88.5	5,789.2	90.7	4.5
Professional sports	785.1	11.5	592.5	9.3	32.5
Total	6,837.6	100.0	6,381.7	100.0	7.1

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

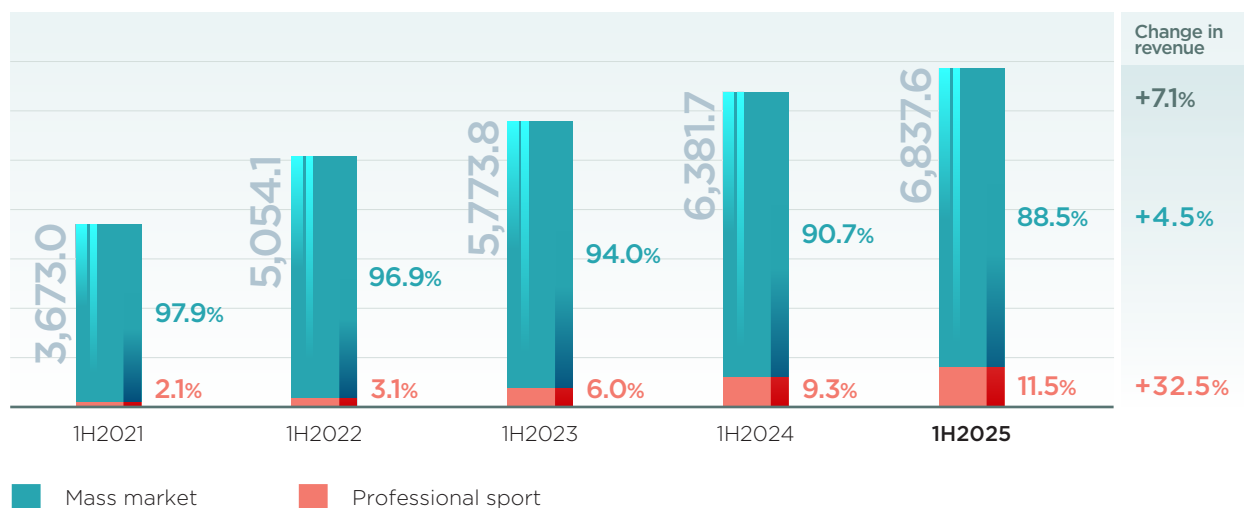
Analysis of Group Revenue

The Group's total revenue for the period amounted to approximately RMB6.8 billion (2024: RMB6.4 billion), reflecting a year-over-year increase of 7.1%. This growth was primarily driven by:

- Mass Market:** Revenue from the mass market segment increased by 4.5% to RMB6.1 billion. This growth was mainly attributed to the strong performance of our online channels, which have seen substantial increases in consumer engagement and sales. 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 32.5%, with revenue rising to RMB785.1 million. This increase was driven by stronger offline retail performance — highlighted by double-digit same-store growth — coupled with increased sales of apparel and sustained growth momentum in online channels.

REVENUE

(RMB million)



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 six months ended 30 June

	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	1,932.5	46.5	1,792.3	45.9	7.8	0.6
Apparel	1,095.0	42.9	1,033.5	44.3	5.9	-1.4
Accessories	46.2	35.2	49.7	35.0	-7.1	0.2
Total	3,073.7	45.0	2,875.5	45.1	6.9	-0.1

Percentage of gross profit

	1H2025	1H2024
Footwear	62.9%	62.4%
	1H2025	1H2024
Apparel	35.6%	35.9%
	1H2025	1H2024
Accessories	1.5%	1.7%

Gross Profit and Gross Profit Margin Breakdown by Brand Nature

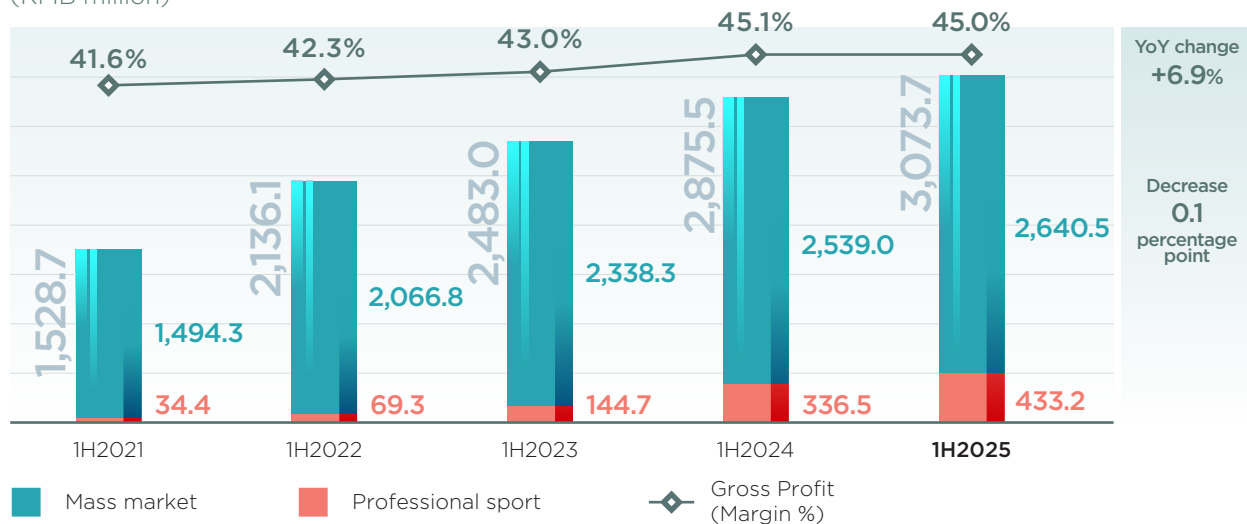
The following table sets out the gross profit and gross profit margin by brand nature:

For the six months ended 30 June

	2025		2024		Change in	Change in
	Gross profit	Gross profit	Gross profit	Gross profit	gross profit	gross profit
	(RMB Million)	margin (%)	(RMB Million)	margin (%)	gross profit (%)	margin (% point)
Mass market	2,640.5	43.6	2,539.0	43.9	4.0	-0.3
Professional sports	433.2	55.2	336.5	56.8	28.7	-1.6
Total	3,073.7	45.0	2,875.5	45.1	6.9	-0.1

GROSS PROFIT

(RMB million)



MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of Gross Profit and Gross Profit Margin

For the six months ended 30 June 2025, the Group's gross profit increased to RMB3,073.7 million, representing a growth of 6.9% from RMB2,875.5 million in the same period in 2024, with gross profit margin of 45.0% (2024: 45.1%). The overall gross profit margin remained stable compared with previous period. The breakdown by brand nature is as follows:

- **Mass Market:** Gross profit for the mass market segment grew by 4.0% to RMB2,640.5 million (2024: RMB2,539.0 million), with the gross profit margin of 43.6% (2024: 43.9%). The growth in gross profit was contributed by the performance of our e-commerce business. The intensified competition within online channels exerted downward pressure on gross profit margin. Competitive pricing strategies and widespread promotional campaigns compressed the gross margin of digital space, despite the growth in e-commerce sales.
- **Professional Sports:** Gross profit for the professional sports segment rose significantly by 28.7% to RMB433.2 million (2024: RMB336.5 million), with the gross profit margin of 55.2% (2024: 56.8%). The lower gross profit margin was due to higher contribution of apparel sales which had a lower gross profit margin than footwear. The strong retail and online sales contributed to the increase in gross profit.

Other Income and Gains, net

For the six months ended 30 June 2025, the Group's other income and gains totaled approximately RMB353.9 million, increased from RMB259.4 million for the same period in 2024. This improvement was primarily due to (i) increase in government grants of RMB236.7 million (2024: RMB205.6 million), (ii) increase in royalty income of RMB36.8 million (2024: RMB20.9 million), (iii) increase in the rebates from e-commerce platform by RMB6.2 million, and (iv) newly generated income from the provision of administrative services to the KP Global Group of RMB5.3 million in 2025.

Selling and Distribution Expenses

For the six months ended 30 June 2025, the Group's selling and distribution expenses amounted to approximately RMB1,483.5 million, representing 21.7% of the Group's total revenue (2024: RMB1,291.0 million, representing 20.2% of the Group's total revenue).

The increase in selling and distribution expenses by RMB192.5 million was mainly attributed to higher advertising and promotional costs, mainly driven by the promotion activities related to online channels, which increased to RMB862.3 million (2024: RMB803.2 million). Additionally, there was an increase in platform fees and logistics cost associated with higher e-commerce sales.

General and Administrative Expenses

For the six months ended 30 June 2025, the Group's general and administrative expenses amounted to approximately RMB639.4 million, representing 9.4% of the Group's total revenue (2024: RMB648.1 million, representing 10.2% of the Group's total revenue).

The decrease in general and administrative expenses was primarily due to the reversal of share-based payment expenses and the decrease in staff costs and related expenses, which was partially offset by higher R&D costs which represented approximately 2.8% (2024: 2.5%) of the Group's total revenue, and higher depreciation expense of property, plant and equipments,

Additionally, the Group made provisions for trade receivables and inventory. Impairment of trade receivables amounted to RMB23.2 million, compared to a reversal of RMB7.1 million in 2024. Inventory provisions increased to RMB12.5 million from RMB8.7 million in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit and Operating Profit Margin Breakdown

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

For the six months ended 30 June

	2025		2024		Change in operating profit/(loss) (%)	Change in operating profit/(loss) margin (% point)
	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)	Operating profit/(loss) (RMB Million)	Operating profit/(loss) margin (%)		
Mass market	1,207.6	20.0	1,190.3	20.6	1.5	-0.6
Professional sports	78.6	10.0	23.3	3.9	236.8	6.1
	1,286.2	18.8	1,213.6	19.0	6.0	-0.2
Corporate	18.6	N/A	(17.8)	N/A	-204.4	N/A
Total	1,304.8	19.1	1,195.8	18.7	9.1	0.4

For the six months ended 30 June 2025, the Group's operating profit increased by 9.1% to RMB1,304.8 million, compared to RMB1,195.8 million for the same period in 2024. This increase was driven by strong performance in the mass market and professional sports segments. The overall operating profit margin improved to 19.1% from 18.7%. The breakdown by brand nature is as follows:

- Mass Market:** The operating profit for the mass market segment grew by 1.5% to RMB1,207.6 million (2024: RMB1,190.3 million), with the operating profit margin slightly decreased to 20.0% from 20.6%. This growth in operating profit was primarily driven by the increase in revenue of the e-commerce channel. However, while online sales channels continued to gain traction, this growth in e-commerce was accompanied by an uptick in associated operational costs, including logistic cost, platform fees and advertising and promotional expense.
- Professional Sports:** The professional sports segment saw a significant increase in operating profit, rising by 236.8% to RMB78.6 million (2024: RMB23.3 million), with the operating profit margin increasing to 10.0% from 3.9%. This improvement was mainly driven by the retail and online sales growth and effective cost management.
- Corporate:** The corporate segment reported an operating profit of RMB18.6 million, representing a significant improvement from the loss of RMB17.8 million in 2024. This reduction in loss was primarily due to reversal of share-based payment expenses and increase in the fair value gain on the derivative component of convertible bonds.

MANAGEMENT DISCUSSION AND ANALYSIS

Net Finance Costs

For the six months ended 30 June 2025, the Group's net finance costs decreased to RMB52.1 million from RMB61.3 million in the same period of 2024. This decrease was primarily due to lower interest expenses on bank loans, which amounted to RMB21.4 million (2024: RMB42.4 million). The reduction in interest expenses was driven by a lower borrowing balance (including repaying all HK\$-denominated syndicated loans strategically) and a decrease in interest rate. Lower interest expense on discounted bills receivable amounted to RMB5.6 million (2024: RMB17.3 million) also contributed to the decrease. The decrease was partially offset by the increase in interest expense on convertible bonds of RMB32.0 million (2024: RMB10.8 million).

Income Tax Expenses

For the six months ended 30 June 2025, the Group incurred an income tax expense of RMB368.3 million, representing an increase of RMB76.0 million or 26.0% compared to RMB292.3 million in the same period of 2024. It included profit tax provision relating to operating companies charged for the period, which amounted to RMB290.1 million (2024: RMB253.7 million). Also, there were an under-provision of income tax of RMB14.5 million (2024: RMB3.6 million), and a deferred tax of RMB63.7 million (2024: RMB35.0 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 June 2024, the loss from a discontinued operation amounted to RMB106.4 million, which represented the financial results of KP Global Group.

PROFIT FOR THE YEAR**Profit Attributable to Ordinary Equity Holders and Net Profit Margin**

For the six months ended 30 June 2025, the Group's net profit attributable to equity holders was RMB913.6 million, representing an increase of RMB161.5 million or 21.5% compared to RMB752.1 million in the same period of 2024. The net profit margin improved to 13.4%, up from 11.8% in the previous period. This increase in net profit and margin was mainly attributed to higher operating profit driven by revenue growth, effective cost management across the Group and decrease in loss of the discontinued operations, partially offset by the increase in income tax expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

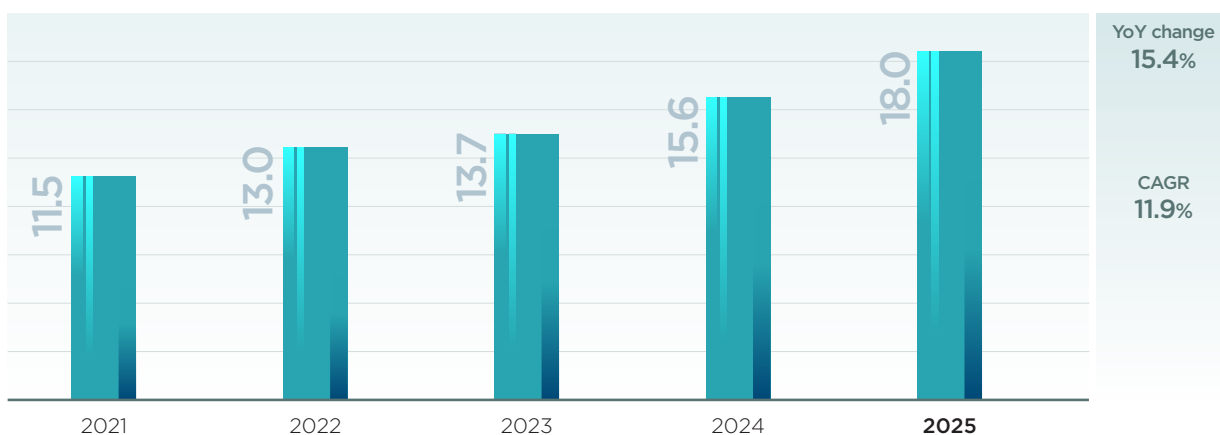
Dividend

The Board continued to maintain high shareholders' dividend returns and has therefore resolved to distribute an interim dividend of HK18.0 cents per Share (2024: HK15.6 cents per Share). This decision underscores our commitment to enhancing shareholder value and reflects our strong cash flow and net cash position.

The proposed interim 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, together with this interim report, will be dispatched to the shareholders.

INTERIM DIVIDEND

(HK\$ cents)



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.

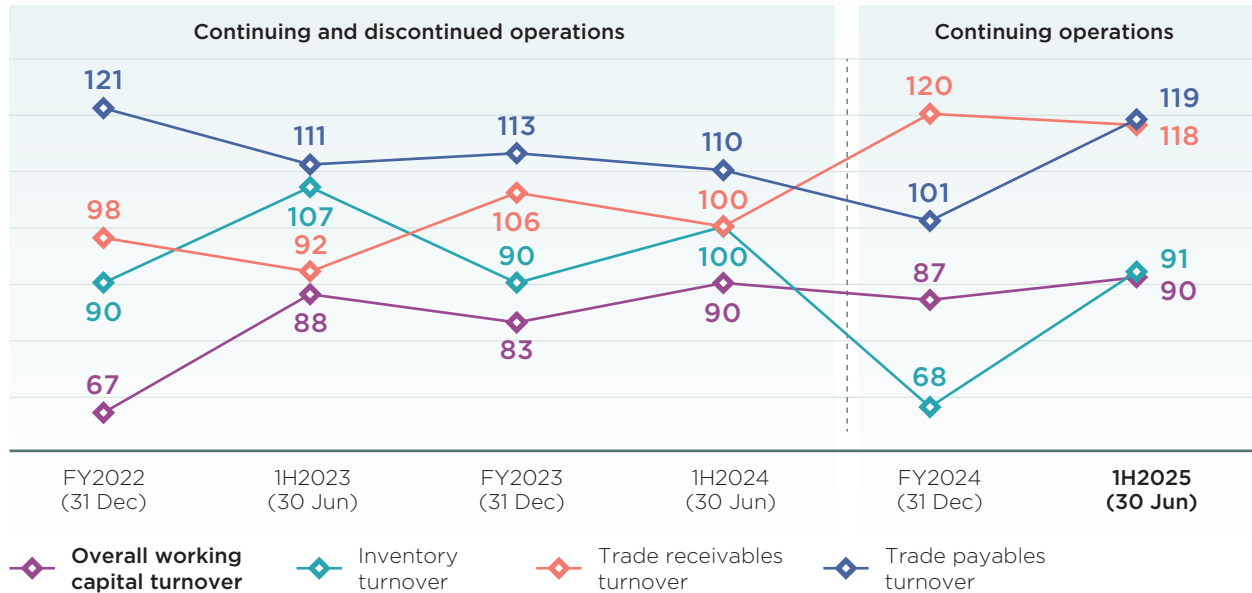
MANAGEMENT DISCUSSION AND ANALYSIS

Cash Conversion Cycle

For the period, the Group's rolling overall working capital turnover days was 90 days (2024: 90 days).

WORKING CAPITAL TURNOVER

(Days)

**For the six months ended 30 June**

WORKING CAPITAL TURNOVER DAYS	2025 Days	2024 Days	Changes Days
Inventories turnover days	91	100	-9
Trade receivables turnover days	118	100	18
Trade payables turnover days	119	110	9
Overall working capital turnover days	90	90	-

Working Capital Turnover Days

For the six months ended 30 June 2025, the Group's working capital turnover days remained relatively stable:

- Inventories turnover days decreased by 9 days to 91 days (2024: 100 days).
- Trade receivables turnover days increased by 18 days to 118 days (2024: 100 days).
- Trade payables turnover days increased by 9 day to 119 days (2024: 110 days).

Despite these individual fluctuations, the rolling overall working capital turnover days remained stable at 90 days (2024: 90 days), reflecting effective management of the Group's working capital components.

NOTE: Full year 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).

Full year 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).

Full year 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).

Half year inventory turnover days is equal to the average of opening and closing inventory of the 12-month period up to 30 June of the relevant year (or average of opening and closing inventory of continuing operations of the 12-month period up to 30 June 2025) divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2024).

Half year trade receivables turnover days is equal to the average of opening and closing trade receivables of the 12-month period up to 30 June of the relevant year (or average of opening and closing trade receivables of continuing operations of the 12-month period up to 30 June 2025) divided by revenue during the corresponding period and multiplied by 365 days (or 366 days in 2024).

Half year trade payables turnover days is equal to the average of opening and closing trade payables of the 12-month period up to 30 June of the relevant year (or average of opening and closing trade payables of continuing operations of the 12-month period up to 30 June 2025) divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2024).

Liquidity and Capital Resources

As of 30 June 2025, the Group's cash and cash equivalents amounted to approximately RMB3,217.4 million (31 December 2024: RMB2,979.2 million), representing an increase of approximately RMB238.2 million. The increase in the Group's cash and cash equivalents is summarized as follows:

	Six months ended 30 June	
	2025 RMB million	2024 RMB million
Cash generated from operating activities	1,021.7	1,096.7
Income tax paid	(230.6)	(226.7)
Net interest expenses paid	(17.3)	(43.6)
Net cash flows from operating activities	773.8	826.4
Increase in term deposits	(228.0)	(200.0)
Increase in structured bank deposits	-	(200.0)
Decrease in pledged bank deposits	120.8	861.7
Increase in investment in associates	-	(26.3)
Increase in property, plant and equipment	(89.7)	(118.8)
Dividends paid	(182.9)	(177.5)
Net repayment of bank borrowings	(1,035.2)	(609.6)
Net proceeds from issue of convertible bonds	461.3	-
Net proceeds from placing of shares	455.4	-
Others	(37.2)	7.6
Net increase in cash and cash equivalents	238.3	363.5
Cash and cash equivalent at beginning of period	2,979.2	3,294.6
Effect of foreign exchange rate changes, net	(0.1)	2.0
Cash and cash equivalent at end of period	3,217.4	3,660.1

MANAGEMENT DISCUSSION AND ANALYSIS

Net cash flows from operating activities

For the six months ended 30 June 2025, the Group's net cash flows from operating activities amounted to RMB773.8 million (2024: RMB826.4 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.

As of 30 June 2025, the Group's net cash and cash equivalents (including term deposits and pledged bank deposits minus bank borrowings and convertible bonds) were approximately RMB1,912.8 million, compared to RMB984.7 million as at 31 December 2024. The breakdown is as follows:

	30 June 2025 RMB million	31 December 2024 RMB million
Cash and cash equivalents	3,217.4	2,979.2
Bank deposits	997.4	890.3
Total bank deposits and bank balances	4,214.8	3,869.5
Less: Bank borrowings	(987.8)	(2,028.0)
Less: Convertible bonds	(1,314.2)	(856.8)
Net cash and cash equivalents	1,912.8	984.7

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

As of 30 June 2025, the Group's total assets amounted to RMB17,173.8 million (31 December 2024: RMB15,968.1 million), comprising non-current assets of RMB4,463.9 million and current assets of RMB12,709.9 million. Total liabilities stood at RMB7,297.8 million (31 December 2024: RMB7,265.6 million), with non-current liabilities of RMB1,523.6 million and current liabilities of RMB5,774.2 million. The Group's total equity was RMB9,876.0 million, up from RMB8,702.6 million as of 31 December 2024. Net assets per Share as at 30 June 2025 were approximately RMB3.55 (31 December 2024: RMB3.24), representing an increase of 9.6%.

The Group's current ratio, calculated as current assets divided by current liabilities, stood at 2.2x (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 13.4% as of 30 June 2025 (31 December 2024: 18.1%).

Commitments

Details of the Group's commitments are stated in note 24 to the interim financial information.

Contingent Liabilities

As of 30 June 2025, the Group did not have any material contingent liabilities.

Charge of Assets

Save as disclosed in notes 15 and 19 to the interim financial information relating to certain amounts of properties and bank deposits pledged to secure certain banking facilities, none of the Group's assets was pledged as at 30 June 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 strategically repaid all HKD-denominated syndicated loans during the period. The Group also conducts regular sensitivity analyses to assess the potential impact of interest rate fluctuations on its financial performance.

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

During the Period, 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 interim 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.

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

The net proceeds from the issue of the 2025 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 30 June 2025, the Group had approximately 8,900 employees (31 December 2024: 8,900 employees), of which 59.7% 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions contained in the Corporate Governance Code throughout the period, except for the deviation from code provision C.2.1 as disclosed below.

Under code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer 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 chief executive officer. Mr. Ding Shui Po is the chairman and chief executive officer of the Group. He has extensive experience in sportswear industry and is responsible for the overall corporate strategies, planning and business management of the Group. The Board considers 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 are comprised of experienced and high caliber individuals. As at the date of this report, the Board consisted 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 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 standard set out in the Model Code and its code of conduct during the period.

REVIEW OF INTERIM FINANCIAL INFORMATION

Disclosure of financial information in this report complies with Appendix D2 of the Listing Rules. The audit committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of the interim results and the unaudited interim financial information for the period.

The external auditor of the Group has reviewed the interim financial information for the period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

On 12 February 2025, the Company completed the top-up placing of a total of 90,909,000 shares of the Company at a placing price of HK\$5.50 per Share. On 20 February 2025, the Company completed the issue of the 2025 Xtep Convertible Bonds in the aggregate principal amount of HK\$500,000,000. Details of the aforesaid top-up placing of shares and the issue of the 2025 Xtep Convertible Bonds are set out in the Management Discussion and Analysis section in this report.

Save as aforesaid, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS**Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at 30 June 2025, the Directors and the chief executive of the Company and their respective associates 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). They have notified 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 have otherwise notified 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	47.57%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust ⁽²⁾ / Beneficial interests ⁽⁴⁾	1,253,656,233	45.06%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust ⁽²⁾ / Beneficial interests ⁽⁵⁾	1,254,386,231	45.08%
Mr. Tan Wee Seng	Beneficial interests ⁽⁶⁾	292,975	0.01%

Notes:

- (1) It was based on 2,782,493,742 issued Shares of the Company as at 30 June 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. The remaining 180,000 of these Shares were acquired by Mr. Tan on the Hong Kong Stock Exchange. The remaining 12,975 of these Shares were received by Mr. Tan by way of scrip dividends for the 2020 final dividend and 2024 interim dividend.

Saved as disclosed above, as at 30 June 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Directors' Rights to Acquire Shares or Debentures

At no time during the period was the Company, its subsidiaries, its holding companies or any subsidiary of such holding companies a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Director or chief executive of the Company, as at 30 June 2025, the persons or corporations (other than the 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 issued share capital of the Company ⁽¹⁾
Group Success	Beneficial interests	1,251,586,231	44.98%
Wan Xing International Holdings Limited	Interests of controlled corporation ⁽²⁾	1,251,586,231	44.98%
Ding Wang Fortune Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.98%
Guan Hong Development Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.98%
Ming Zhong Family Limited	Interests of controlled corporation ⁽³⁾	1,251,586,231	44.98%
UBS Trustees (BVI) Limited	Trustee ⁽³⁾	1,251,586,231	44.98%
GSUM IV Holdings Limited	Beneficial interests ⁽⁴⁾	169,684,196	6.10%
Hillhouse Focused Growth Fund V, L.P.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.10%
Hillhouse Investment Management, Ltd.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.10%

Notes:

- (1) It was based on 2,782,493,742 issued Shares of the Company as at 30 June 2025.
- (2) Wan Xing International Holdings Limited is deemed to be interested in the 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Save as disclosed above, as at 30 June 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 Schemes

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. Unless otherwise defined herein, capitalised terms used in this section shall have the same meanings as those defined in the circular of the Company dated 7 April 2025 (the “Circular”).

Purpose

The purpose of the 2025 Share Option Scheme 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.

The purpose of the 2025 Share Award Scheme is to provide competitive and attractive remuneration package to incentivize Selected Participants in contributing to the Group. This is in line with the practice of other public companies adopting parallel share-based incentive schemes in order to allow the companies to better align the value of the companies with the interests of the participants under the schemes.

Participants

Eligible participants for the 2025 Share Schemes include Employee Participants, Related Entity Participants and Service Provider Participants. For the definitions and criteria for assessing the eligibility of these participants, please refer to the Circular.

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 no more than approximately 10% of the total number of Shares in issue (excluding treasury shares) as at the Adoption Date.

Service Provider Sub-limit

The total number of Shares which may be allotted and 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 no more than approximately 1% of the total number of Shares in issue (excluding treasury shares) as at the Adoption Date.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 and Other Scheme Options and Awards 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 the 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).

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 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 basis for determining the exercise price is also specified precisely in the rules of the 2025 Share Option Scheme, which is summarized in the Circular.

Each Selected Participant under the 2025 Share Award Scheme is required to pay for the Awarded Shares at the Award Price which 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.

Others

As at the date of this report, no Options or Shares were granted under the 2025 Share Schemes.

The number of Options and Awards available for grant under the 2025 Share Schemes as at 1 January 2025 and 30 June 2025 was nil, and 277,455,907 Shares respectively; and the number of Options and Awards available for grant under the Service Provider Sub-limit as at 1 January 2025 and 30 June 2025 was nil and 27,745,590 Shares respectively.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2014 Share Award Scheme

The Company adopted the 2014 Share Award Scheme on 1 August 2014 which expired on 1 August 2024. During the period, no Share had been granted under the 2014 Share Award Scheme.

Following its expiry, the 2014 Share Award Scheme was terminated and no further grant of Shares may be made. The trust period under the trust was also set to expire on 1 August 2024. For the purpose of enabling the trustee 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:

As of 30 June 2025, there were a total of 32,043,000 outstanding Shares awarded under the 2014 Share Awarded Scheme, details of which are as follows:

Name or category of grantees	Date of grant	Vesting period	Number of Shares awarded					Outstanding as at 30 June 2025
			Outstanding as at 1 January 2025	Granted during the period	Vested during the period	Forfeited during the period	Lapsed during the period	
Employees	19 March 2021	Note 1	43,695,000	-	(1,560,000) ²	(10,092,000)	-	32,043,000

Notes:

- 1,560,000 Shares were vested on 31 March 2025 and 10,092,000 Shares were forfeited by the relevant selected participants on 31 March 2025. The remaining 11,652,000 and 20,391,000 Shares were scheduled to be vested on 31 March 2026 and 31 March 2027, respectively.
- No purchase price was paid upon vesting. The weighted average closing price of the Shares immediately before the date on which the Shares were vested during the period is HK\$5.07.

Further details of the 2014 Share Award Scheme are set out in note 23 to the interim financial information.

SPECIFIC PERFORMANCE OBLIGATIONS ON CERTAIN CONTROLLING SHAREHOLDERS

On 3 July 2023, the Company as borrower entered into a 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 2023 Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

During the period ended 30 June 2025, the 2023 Facility had been fully repaid by the Company.

INDEPENDENT REVIEW REPORT



To the board of directors of Xtep International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 42 to 77, which comprise the condensed consolidated statement of financial position of Xtep International Holdings Limited and its subsidiaries as at 30 June 2025 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

18 August 2025

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2025

	Notes	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited and re-presented)
CONTINUING OPERATIONS			
REVENUE	5	6,837,642	6,381,685
Cost of sales		(3,763,906)	(3,506,136)
Gross profit		3,073,736	2,875,549
Other income and gains, net	5	353,923	259,402
Selling and distribution expenses		(1,483,454)	(1,290,994)
General and administrative expenses		(639,364)	(648,133)
Operating profit	6	1,304,841	1,195,824
Net finance costs	7	(52,113)	(61,256)
Share of profits of associates		29,158	16,173
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1,281,886	1,150,741
Income tax expense	8	(368,318)	(292,254)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		913,568	858,487
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation		-	(106,422)
PROFIT FOR THE PERIOD		913,568	752,065
Attributable to:			
Ordinary equity holders of the Company		913,568	752,065

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2025

		Six months ended 30 June	
	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited and re-presented)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic			
— For profit for the period		RMB34.55 cents	RMB29.66 cents
— For profit from continuing operations		RMB34.55 cents	RMB33.86 cents
Diluted			
— For profit for the period		RMB31.72 cents	RMB29.18 cents
— For profit from continuing operations		RMB31.72 cents	RMB33.22 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	913,568	752,065
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	19,299	(25,009)
Other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of financial statements of the Company	(33,101)	3,602
Equity investments designated at fair value through other comprehensive income	7,300	33,900
Income tax effect	(1,095)	(5,085)
	6,205	28,815
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods	(26,896)	32,417
Other comprehensive income/(expense) for the period, net of tax	(7,597)	7,408
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	905,971	759,473
Attributable to:		
Ordinary equity holders of the Company	905,971	759,473

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,699,086	1,669,057
Investment properties		8,368	9,074
Right-of-use assets		726,061	749,709
Goodwill		3,840	3,840
Intangible assets		18,638	16,522
Investments in associates		602,005	453,310
Equity investments designated at fair value through other comprehensive income	14	289,500	282,200
Prepayment, deposits and other asset	13	77,033	208,308
Financial assets at fair value through profit or loss	21	1,039,402	1,046,111
Term deposits	15	-	300,000
Total non-current assets		4,463,933	4,738,131
CURRENT ASSETS			
Inventories	11	2,254,658	1,595,654
Trade receivables	12	4,843,760	4,596,824
Bills receivable	12	220,000	414,500
Prepayments, deposits, other receivables and other asset	13	1,169,448	1,046,346
Derivative financial instruments	18	7,123	7,233
Pledged bank deposits	15	469,420	590,260
Term and bank deposits	15	528,000	-
Cash and cash equivalents	15	3,217,448	2,979,194
Total current assets		12,709,857	11,230,011
CURRENT LIABILITIES			
Trade payables	16	2,621,113	2,095,441
Bills payable		100,000	100,000
Other payables and accruals	17	1,630,518	1,661,818
Interest-bearing bank borrowings	19	619,494	1,161,249
Xtep Convertible Bonds	20	447,141	-
Lease liabilities		91,390	77,362
Deferred subsidies		577	577
Derivative financial instruments	18	49,999	72,982
Tax payable		213,936	113,188
Total current liabilities		5,774,168	5,282,617
NET CURRENT ASSETS		6,935,689	5,947,394
TOTAL ASSETS LESS CURRENT LIABILITIES		11,399,622	10,685,525

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2025

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	368,327	866,758
Xtep Convertible Bonds	20	867,066	856,786
Lease liabilities		56,236	65,157
Deferred tax liabilities		213,698	175,650
Deferred subsidies		18,317	18,606
Total non-current liabilities		1,523,644	1,982,957
NET ASSETS		9,875,978	8,702,568
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	22	24,486	23,575
Treasury shares		(314,823)	(294,563)
Equity component of convertible bonds	20	101,998	85,848
Reserves		10,064,317	8,887,708
Total equity		9,875,978	8,702,568

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2025

Six months ended 30 June 2025 (Unaudited)

	Notes	Attributable to ordinary equity holders of the Company									
		Share capital	Treasury shares	Equity component of convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Exchange fluctuation reserve	Fair value reserve	Retained profits	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2025 (audited)		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 period		-	-	-	-	-	-	-	-	913,568	913,568
Other comprehensive income/(expense) for the period		-	-	-	-	-	-	(13,802)	6,205	-	(7,597)
Total comprehensive income/(expense) for the period		-	-	-	-	-	-	(13,802)	6,205	913,568	905,971
2024 final dividend declared	9(b)	-	-	-	-	-	-	-	-	(223,404)	(223,404)
Issue of shares	22	838	-	-	454,517	-	-	-	-	-	455,355
Shares issued in lieu of cash dividend	22	73	-	-	40,408	-	-	-	-	-	40,481
Issuance of 2025 Xtep Convertible Bonds	20	-	-	16,150	-	-	-	-	-	-	16,150
Transfer from statutory surplus fund		-	-	-	-	-	2,786	-	-	(2,786)	-
Equity-settled share award arrangement, net		-	(21,143)	-	-	-	-	-	-	-	(21,143)
Vesting of awarded shares		-	883	-	-	-	-	-	-	(883)	-
At 30 June 2025 (unaudited)		24,486	(314,823)	101,998	2,719,602*	118,615*	1,902,727*	(273,388)*	137,755*	5,459,006*	9,875,978

* These reserve accounts comprise the consolidated other reserves of RMB10,064,317,000 (31 December 2024: RMB8,887,708,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2025

Six months ended 30 June 2024 (Unaudited)

Attributable to ordinary equity holders of the Company												
		Equity component of								Non-		
		Share capital	Treasury shares	convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Exchange fluctuation reserve	Fair value reserve	Retained profits	controlling interests	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024 (audited)												
		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 period		-	-	-	-	-	-	-	-	752,065	-	752,065
Other comprehensive income/(expense) for the period		-	-	-	-	-	-	(21,407)	28,815	-	-	7,408
Total comprehensive income/(expense) for the period												
		-	-	-	-	-	-	(21,407)	28,815	752,065	-	759,473
2023 final dividend declared	9(b)	-	-	-	-	-	-	-	-	(185,441)	-	(185,441)
Shares issued in lieu of cash dividend	28	(7,395)	-	-	15,272	-	-	-	-	-	-	7,905
Transfer from statutory surplus fund		-	-	-	-	-	(2,500)	-	-	2,500	-	-
Equity-settled share award arrangement, net		-	(7,410)	-	-	-	-	-	-	-	-	(7,410)
Vesting of awarded shares		-	3,915	-	-	-	-	-	-	(3,915)	-	-
Acquisition of additional interests in subsidiaries		-	-	-	-	-	-	-	-	4,092	(60,720)	(56,628)
At 30 June 2024 (unaudited)												
		23,219	(293,881)	26,460	2,066,248	118,615	1,694,255	(165,199)	121,605	5,849,863	-	9,441,185

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2025

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Operating activities:		
Cash from operations	1,021,675	1,096,695
Income tax paid	(230,617)	(226,650)
Net interest expenses paid	(17,289)	(43,644)
NET CASH FLOWS FROM OPERATING ACTIVITIES	773,769	826,401
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES⁽ⁱ⁾	(166,992)	433,669
NET CASH FLOWS USED IN FINANCING ACTIVITIES⁽ⁱⁱ⁾	(368,416)	(896,587)
NET INCREASE IN CASH AND CASH EQUIVALENTS	238,361	363,483
Cash and cash equivalents at beginning of period	2,979,194	3,294,627
Effect of foreign exchange rate changes, net	(107)	1,968
Cash and cash equivalents at end of period	3,217,448	3,660,078
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	3,217,448	3,660,078

The accompanying notes form part of this interim financial information.

- (i) Net cash flows from/(used in) investing activities for the reporting period mainly included investment income derived from financial assets at fair value through profit or loss and term deposits of RMB27,610,000 (2024: RMB24,294,000), decrease in pledged bank deposits of RMB120,840,000 (2024: RMB861,722,000), acquisition of items of property, plant and equipment of RMB89,739,000 (2024: RMB118,832,000), acquisition of intangible assets of RMB4,478,000 (2024: RMB1,921,000), decrease in deposit paid for the acquisition of property, plant and equipment of RMB6,775,000 (2024: RMB1,074,000) and increase in structure and bank deposit of RMB228,000,000 (2024: RMB400,000,000).
- (ii) Net cash flows used in financing activities for the reporting period mainly included the dividends paid to ordinary equity holders of the Company of RMB182,923,000 (2024: RMB177,536,000) apart from scrip shares in lieu of cash, net proceeds from issue of shares of RMB455,355,000 (2024: Nil), net repayment of bank borrowings of RMB1,035,218,000 (2024: RMB609,641,000), net proceeds from issue of 2025 Xtep Convertible Bonds of RMB461,300,000 (2024: Nil) and principal elements of lease payments of RMB35,145,000 (2024: RMB90,633,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 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 period, 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 period.

In the opinion of the directors, the ultimate holding company of the Company is Wan Xing International Holdings Limited (“Wan Xing”), which is a limited liability company incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” as issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2024.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for bills receivable, financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), and derivative financial instruments which have been measured at fair value. The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2024 except for the adoption of the revised HKFRSs as further detailed in note 2.2 below.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**2.2 Changes in accounting policies and disclosures**

The Group has adopted the following amended HKFRS Accounting Standard for the first time for the current period's financial information.

Amendments to HKAS 21	<i>Lack of Exchangeability</i>
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The nature and impact of the amended HKFRS Accounting Standard are described below:

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 with and the functional currencies of group entities for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the interim condensed consolidated financial information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial information in conformity with HKAS 34 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.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those used by management in the preparation of the Group's annual financial statements for the year ended 31 December 2024.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

4. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments from continuing operations separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that net finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

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.

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.

The operating segment information for the six months ended 30 June 2025 and 2024 are as follows:

Six months ended 30 June 2025	Mass market RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)			
Sales to external customers	6,052,467	785,175	6,837,642
Segment results			
Share of profits of associates	1,207,644	78,620	1,286,264
Net finance costs	10,414	18,744	29,158
Corporate and other unallocated expenses			(52,113)
			18,577
Profit before tax from continuing operations			1,281,886
Six months ended 30 June 2024	Mass market RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)			
Sales to external customers	5,789,162	592,523	6,381,685
Segment results			
Share of profits of associates	1,190,277	23,345	1,213,622
Net finance costs	6,494	9,679	16,173
Corporate and other unallocated expenses			(61,256)
			(17,798)
Profit before tax from continuing operations			1,150,741

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

4. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2025 and 31 December 2024, respectively.

	Mass market RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
30 June 2025			
Segment assets	13,060,196	927,348	13,987,544
Corporate and other unallocated assets			3,186,246
Total assets			17,173,790
Segment liabilities	4,057,055	412,781	4,469,836
Corporate and other unallocated liabilities			2,827,976
Total liabilities			7,297,812
	Mass market RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
31 December 2024			
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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 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 period, 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:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Product categories		
Footwear	4,154,108	3,908,418
Apparel	2,552,331	2,330,955
Accessories	131,203	142,312
	6,837,642	6,381,685

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Government grants*	236,745	205,567
Rental income	17,810	8,354
Royalty income	36,796	20,911
Income derived from financial assets at FVPL, term deposits and structured bank deposits	27,610	24,294
Fair value gain/(loss) on the derivative component of 2021 Xtep Convertible Bonds	22,081	(4,896)
Gain on bargain purchase	-	4,973
Others	12,881	199
	353,923	259,402

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

6. OPERATING PROFIT FROM CONTINUING OPERATIONS

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Advertising and promotional costs	862,252	803,216
Impairment/(write-back of impairment) of trade receivables, net	23,151	(7,126)
Provision for inventories	12,528	8,702
Research and development costs*	189,966	157,812
Depreciation of property, plant and equipment	60,416	48,823
Depreciation of right-of-use assets	62,607	67,293
Amortisation of intangible assets	2,362	2,023
Staff costs	699,785	657,405
Gain on disposal of investment properties	-	(9,825)
Equity-settled share award scheme expense, net	(21,143)	(7,410)

* The research and development costs for the six months ended 30 June 2025 included RMB103,650,231 (six months ended 30 June 2024: RMB90,205,978) relating to the depreciation of research and development centres and staff costs for research and development activities, which were also included in the total amounts disclosed above for each of these types of expenses.

7. NET FINANCE COSTS

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest expense on bank loans	21,403	42,351
Interest expense on discounted bills receivable	5,571	17,352
Interest expense on Xtep Convertible Bonds	31,985	10,818
Interest expense on lease liabilities	2,856	3,263
Amortisation of bank charges on syndicated loans	4,130	2,897
Bank interest income	(13,832)	(15,425)
	52,113	61,256

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

8. 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 for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited and re-presented)
Current tax — Overseas		
Charge for the period	290,144	253,678
Under-provision in prior periods	14,498	3,576
	304,642	257,254
Deferred tax	63,676	35,000
Total tax charge for the period from continuing operations	368,318	292,254
Total tax charge for the period from a discontinued operation	-	1,881
	368,318	294,135

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

9. DIVIDENDS

(a) Dividends attributable to ordinary equity holders of the Company during the period:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interim dividend — HK18.0 cents (six months ended 30 June 2024: HK15.6 cents) per ordinary share	456,774	376,341

At the board meeting held on 18 August 2025, the board of directors declared and approved an interim dividend of HK18.0 cents (equivalent to approximately RMB16.4 cents) per ordinary share, totalling approximately HK\$500,849,000 (equivalent to approximately RMB456,774,000), for the six months ended 30 June 2025. The interim dividend will be payable in cash with a scrip dividend alternative. This interim dividend has not been recognised as a liability in the interim condensed consolidated financial information.

(b) Dividends declared and paid to ordinary equity holders of the Company during the period:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Final dividends in respect of the financial years ended: 31 December 2024 — HK\$9.5 cents (2023 — HK\$8.0 cents) per ordinary share	223,404	185,441

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the six months ended 30 June 2025 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB913,568,000 (six months ended 30 June 2024: RMB752,065,000) and the weighted average number of 2,643,911,758 (six months ended 30 June 2024: 2,535,459,682) ordinary shares outstanding during the period 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 for the six months ended 30 June 2025 is based on the profit for the period 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 period, 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 calculation of basic and diluted earnings per share are based on:

	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited and re-presented)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation		
From continuing operations	913,568	858,487
From a discontinued operation	-	(106,422)
Subtotal	913,568	752,065
Interest on Xtep Convertible Bonds	31,985	10,818
Less: Fair value loss/(gain) on 2021 Xtep Convertible Bonds early redemption option	(22,081)	4,896
Profit attributable to ordinary equity holders of the Company before profit or loss effect on Xtep Convertible Bonds	923,472	767,779
Attributable to:		
From continuing operations	923,472	874,201
From a discontinued operation	-	(106,422)
Total	923,472	767,779

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)**Shares**

	Number of shares	
	2025	2024
Weighted average number of ordinary shares as used in the basic earnings per share calculation	2,643,911,758	2,535,459,682
Effect of dilution — weighted average number of ordinary shares		
— Share award	33,100,854	41,728,378
— Xtep Convertible Bonds	234,659,001	54,078,233
Weighted average number of ordinary shares	2,911,671,613	2,631,266,293

11. INVENTORIES

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Raw materials	54,089	69,790
Work in progress	204,582	133,497
Finished goods	2,042,363	1,426,215
	2,301,034	1,629,502
Less: Provision for inventories	(46,376)	(33,848)
	2,254,658	1,595,654

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

12. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Trade receivables		5,282,391	5,012,304
Less: Impairment of trade receivables		(438,631)	(415,480)
	(a)	4,843,760	4,596,824
Bills receivable	(b)	220,000	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) 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:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	1,957,727	2,671,981
3 to 6 months	2,083,876	1,144,002
6 to 9 months	632,078	559,292
Over 9 months	170,079	221,549
	4,843,760	4,596,824

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	6,000	50,000
3 to 6 months	214,000	364,500
	220,000	414,500

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSET

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Prepayments to contracted manufacturers	183,754	154,651
Prepayments for capital contribution to an associate	-	124,500
Deposits and advance payments to suppliers	244,960	275,630
Deposits and advance payments to subcontractors	347,558	306,949
Deposit for bank acceptance bill	-	10,000
Other asset	65,010	65,010
Other deposits	66,055	35,035
Value added tax ("VAT") recoverable	147,981	142,892
Other receivables	191,163	139,987
	1,246,481	1,254,654
Less: Non-current portion prepayments, deposits and other asset	(77,033)	(208,308)
	1,169,448	1,046,346

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

	RMB'000
At 1 January 2025 (audited)	282,200
Changes in fair values	7,300
At 30 June 2025 (unaudited)	289,500

As at 30 June 2025, the Group held two unlisted investments with fair values of RMB272,200,000 (31 December 2024: RMB264,400,000) and RMB17,300,000 (31 December 2024: RMB17,800,000), representing 5% and 11% (31 December 2024: 5% and 11%) equity interests in two corporate entities, which were established in the People's Republic of China ("PRC").

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

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

	Note	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Term deposits		528,000	300,000
Cash and bank balances		3,686,868	3,569,454
		4,214,868	3,869,454
Less: Pledged bank deposits for:			
— short-term bank loans	19	(469,420)	(590,260)
Term and bank deposits		(528,000)	(300,000)
Cash and cash equivalents		3,217,448	2,979,194

At the end of the reporting period, the cash and bank balances and term and bank deposits of the Group denominated in RMB amounted to RMB3,866,024,000 (31 December 2024: RMB3,856,766,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Within 3 months	2,277,680	1,924,253
3 to 6 months	177,978	80,978
Over 6 months	165,455	90,210
	2,621,113	2,095,441

Notes:

- (a) The trade payables are non-interest-bearing and are normally settled within 60 to 120 days.
- (b) Included in the trade payables are amounts due to associates of RMB33,021,000 (31 December 2024: RMB16,281,000) which is repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

17. OTHER PAYABLES AND ACCRUALS

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Contract liabilities	261,895	243,849
Other payables	449,053	494,547
VAT payables	19,223	1,968
Accruals	900,347	921,454
	1,630,518	1,661,818

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Note	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Derivative financial asset:			
— Call option		7,123	7,233
Derivative financial liability:			
— Xtep Convertible Bonds early redemption options	20	(49,999)	(72,982)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

19. INTEREST-BEARING BANK BORROWINGS

		30 June 2025 (Unaudited)			31 December 2024 (Audited)		
	Notes	Effective interest rate per annum	Maturity	RMB'000	Effective interest rate per annum	Maturity	RMB'000
Current							
Revolving loans	(a)	1.9%-3.0%	2025 to 2026	479,000	2.3%-3.0%	2025	760,846
Mortgage loan	(b)	5 year Loan Prime Rate ("LPR")-0.8%	2025 to 2026	20,494	5 year LPR-0.8%	2025	20,403
Other bank loans	(c)	1 year LPR-1.15%	2026	120,000	1 year LPR-0.95% to 1 year LPR-1.05%	2025	380,000
Total current				619,494			1,161,249
Non-current							
Syndicated loans		-	-	-	HIBOR+1.45%	2027	366,607
Mortgage loan	(b)	5 year LPR-0.8%	2026 to 2031	139,527	5 year LPR-0.8%	2026 to 2031	150,751
Other bank loans	(c)	1 year LPR-0.92% to 1 year LPR-1.45%	2026 to 2027	228,800	1 year LPR-0.92% to 1 year LPR-1.15%	2026 to 2027	349,400
Total non-current				368,327			866,758
				987,821			2,028,007

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

19. INTEREST-BEARING BANK BORROWINGS (Continued)

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year and on demand	619,494	1,161,249
In the second year	251,935	142,676
In the third to fifth years, inclusive	75,240	669,752
Beyond five years	41,152	54,330
	987,821	2,028,007

Notes:

- (a) The revolving loans are supported by:
- (i) the pledge of certain of the Group's deposits amounting to RMB469,420,000 (31 December 2024: RMB590,260,000) in aggregate as at 30 June 2025; 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 RMB1,117,200,000 and RMB85,000,000, respectively) (31 December 2024: HK\$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,180,650,000 and RMB85,000,000 respectively)) as at the end of the reporting period.
- (b) The mortgage loan were supported by a mortgage over a building and respective leasehold land under right-of-use assets of the Group with an aggregate carrying amount of RMB376,571,000 (31 December 2024: RMB387,705,000).
- (c) Other bank loans are supported by corporate guarantees provided by a wholly-owned subsidiary of the Company to the extent of RMB1,150,000,000 (31 December 2024: RMB1,150,000,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

20. XTEP CONVERTIBLE BONDS

		30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
2021 Xtep Convertible Bonds	(a)	454,886	450,271
2024 Xtep Convertible Bonds	(b)	412,180	406,515
2025 Xtep Convertible Bonds	(c)	447,141	-
		1,314,207	856,786
Less: Current portion		(447,141)	-
Non-current portion		867,066	856,786

Notes:

(a) 2021 Xtep Convertible Bonds

The 2021 Xtep convertible bonds were issued on 9 September 2021 (the "2021 Xtep Convertible Bonds"). The movements of the liability component, equity component and embedded derivative of the 2021 Xtep Convertible Bonds during the six months ended 30 June 2025 are as follows:

	Liability component RMB'000	Equity component RMB'000	Embedded derivative RMB'000	Total RMB'000
At 1 January 2025 (audited)	450,271	26,460	72,982	549,713
Interest expense	11,528	-	-	11,528
Fair value gain (note 5)	-	-	(22,081)	(22,081)
Exchange difference	(6,913)	-	(902)	(7,815)
At 30 June 2025 (unaudited)	454,886	26,460	49,999	531,345

(b) 2024 Xtep Convertible Bonds

The 2024 Xtep convertible bonds were issued on 1 November 2024 (the "2024 Xtep Convertible Bonds"). The movements of the liability component and equity component of the 2024 Xtep Convertible Bonds during the six months ended 30 June 2025 are as follows:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2025 (audited)	406,515	59,388	465,903
Interest expense	11,920	-	11,920
Exchange difference	(6,255)	-	(6,255)
At 30 June 2025 (unaudited)	412,180	59,388	471,568

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

20. XTEP CONVERTIBLE BONDS (Continued)

Notes: (Continued)

(c) 2025 Xtep Convertible Bonds

On 20 February 2025, the Group 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 bear interest 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.

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At the issuance date	445,150	16,150	461,300
Interest expense	8,537	-	8,537
Exchange difference	(6,546)	-	(6,546)
At 30 June 2025 (unaudited)	447,141	16,150	463,291

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group acquired a financial asset at fair value through profit or loss (“KP Convertible Bonds”) in 2024. The movements of KP Convertible Bonds during the six months ended 30 June 2025 are as follows

	RMB'000
At 1 January 2025 (audited)	1,046,111
Exchange difference	(6,709)
At 30 June 2025 (unaudited)	1,039,402

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

22. SHARE CAPITAL**At 30 June 2025**

	HK'000 (Unaudited)	RMB'000 (Unaudited)
Authorised: 100,000,000,000 ordinary shares of HK\$0.01 each	1,000,000	935,629
Issued and fully paid: 2,782,493,742 ordinary shares of HK\$0.01 each	27,825	24,486

At 31 December 2024

	HK'000 (Audited)	RMB'000 (Audited)
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 period:

	Number of ordinary share of HK\$0.01 each	Share capital HK\$'000	Share capital RMB'000
At 1 January 2025	2,683,650,072	26,837	23,575
Issue of shares (note)	90,909,000	909	838
Shares issued in lieu of cash dividend	7,934,670	79	73
At 30 June 2025 (unaudited)	2,782,493,742	27,825	24,486

Note:

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 for working capital to support general corporate purposes and capital investment.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

23. SHARE-BASED SCHEME**(a) 2025 Share Option Scheme**

On 28 April 2025, the Company 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 Corporate Governance and Other Information section of this interim report.

No options were granted, exercised, lapsed or cancelled under the 2025 Share Option Scheme during the period. As at 30 June 2025, there were no outstanding options under the 2025 Share Option Scheme.

(b) 2014 Share Award Scheme

On 1 August 2014, the board of directors of the Company 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 valid and effective for a period of 10 years from 1 August 2014 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 share award. The Group accounts for the 2014 Share Award Scheme as equity-settled plan.

Details of the outstanding Shares awarded under the 2014 Share Award Scheme as at 30 June 2025 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

(c) 2025 Share Award Scheme

On 28 April 2025, the Company approved and adopted by resolutions of the Shareholders a share award scheme (the “2025 Share Award Scheme”). Further details of the 2025 Share Award Scheme were disclosed in the Corporate Governance and Other Information section of this interim report.

No Shares were granted, vested, lapsed or cancelled under the 2025 Share Award Scheme during the period. As at 30 June 2025, there were no unvested Shares under the 2025 Share Award Scheme.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

24. COMMITMENTS

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

	30 June 2025 RMB'000 (Unaudited)	31 December 2024 RMB'000 (Audited)
In respect of:		
— construction of new buildings	358,131	387,772
— construction of new manufacturing facilities	-	359
— advertising and promotional expenses	311,994	356,539
— acquisition of property, plant and equipment	-	23,903
	670,125	768,573

25. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following material transactions with related parties during the period:

- (i) The Group entered into several lease arrangements with Hu Du Century (Xiamen) Investment Management Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of Wan Xing, the ultimate holding company of the Company. The lease arrangements were accounted for under HKFRS 16 *Leases*.

The associated transactions and balances are disclosed below:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Rental payment	2,370	6,440
Depreciation of right-of-use assets	2,286	5,697
Interest expenses on lease liabilities	231	256
	As at 30 June 2025 (Unaudited)	As at 31 December 2024 (Audited)
Right-of-use assets	13,721	917
Lease liabilities	11,582	1,013

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

25. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

- (ii) The Group entered into the transition services agreement on 30 November 2024 with KP Global Group:

The associated transactions and balances are disclosed below:

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Office leasing and licensing income	1,605	–
Sharing of administrative services income	5,488	–
Guarantee fee income*	56	–
Warehouse and logistics services income*	3,267	–

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

The Company provided corporate guarantee to a bank for a bank facility amounting to US\$4,450,000 (approximately RMB34,930,000) to a wholly-owned subsidiary of KP Global, and guarantee fee agreement has been terminated on 30 May 2025.

- (iii) During the six months ended 30 June 2025, royalty expense amounting to RMB54,677,000 (six months ended 30 June 2024: RMB37,744,000) were payable by the Group to an associate of the Group according to the product cost at 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 receivable and trade payable balances with the associates are disclosed in notes 13 and 16 to the interim condensed consolidated financial information, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

26. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 30 June 2025, the Group discounted certain commercial bills receivable with a carrying amount in aggregate of approximately RMB494,500,000 (31 December 2024: RMB779,000,000) to a bank in the PRC (the “Derecognised Bills”) for cash. The Derecognised Bills had a remaining maturity from approximately 63 days to 182 days (31 December 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 discounting agreements, the bank has waived the right of recourse against the Group and such that the 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 six months ended 30 June 2025, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (six months ended 30 June 2024: Nil). No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The amount of bills receivable of RMB525,504,000 (six months ended 30 June 2024: RMB1,223,500,000) has been discounted during the six months ended 30 June 2025.

27. 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 receivable, 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 and Xtep Convertible Bonds as at 30 June 2025 were assessed to be insignificant. The fair values of non-current portion of interest-bearing bank borrowings and Xtep Convertible Bonds approximate to their carrying amounts as at the end of the reporting period.

The Group’s finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

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

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 methods and assumptions were used to estimate the fair values:

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 bill receivables and structured bank deposits approximate to their carrying amounts as at the end of the reporting period.

The fair value of 2021 Xtep Convertible Bonds early redemption options 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 interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in the interim condensed consolidated statement of comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

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

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments, 2021 Xtep Convertible Bonds early redemption options and KP Convertible Bonds together with a quantitative sensitivity analysis as at 30 June 2025:

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Unlisted equity investments	Market multiples	P/B multiple of peers	30 June 2025: 0.16x to 1.45x (31 December 2024: 0.16x to 1.68x)	5% (31 December 2024: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB14.5 million (31 December 2024: RMB14.1 million)
		Discount for lack of marketability ("DLOM")	30 June 2025: 20% (31 December 2024: 20%)	2.5% (31 December 2024: 2.5%) increase/decrease in DLOM would result in decrease/increase in fair value by RMB9.0 million (31 December 2024: RMB8.8 million)
2021 Xtep Convertible Bonds early redemption option	Binomial model	Discount rate	30 June 2025: 5.2% (31 December 2024: 5.9%)	0.5% (31 December 2024: 0.5%) increase/decrease in multiple would result in increase in fair value by RMB4.4 million (31 December 2024: RMB5.7 million)/ decrease in fair value by RMB4.4 million (31 December 2024: RMB5.7 million)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

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

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
KP Convertible Bonds	Binomial model	Weighted average cost of capital	30 June 2025: 13.4% (31 December 2024: 13.7%)	0.5% (31 December 2024: 0.5%) increase/decrease in multiple would result in decrease in fair value by RMB14.9 million (31 December 2024: RMB17.3 million)/increase in fair value by RMB22.6 million (31 December 2024: RMB19.8 million)
		Volatility	30 June 2025: 43.6% (31 December 2024: 42.1%)	0.5% (31 December 2024: 0.5%) increase/decrease in multiple would result in decrease in fair value by value by RMB1.9 million (31 December 2024: RMB2.7 million)/increase in fair value by RMB1.9 million (31 December 2024: RMB1.9 million)
		Discount rate	30 June 2025: 7.4% (31 December 2024: 7.8%)	0.5% increase/decrease in multiple would result in decrease in fair value by RMB20.6 million (31 December 2024: RMB17.9 million)/increase in fair value by RMB21.0 million (31 December 2024: RMB18.0 million)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

27. 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 30 June 2025**

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments	-	7,123	-	7,123
Financial assets at FVPL	-	-	1,039,402	1,039,402
Equity investments designated at FVOCI	-	-	289,500	289,500
Bills receivable	-	220,000	-	220,000
	-	227,123	1,328,902	1,556,025

As at 31 December 2024

	Fair value measurement using			Total RMB'000 (Audited)
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	
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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2025

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)**Liabilities measured at fair value:****As at 30 June 2025**

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments	-	-	49,999	49,999

As at 31 December 2024

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

During the period ended 30 June 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 (six months ended 30 June 2024: Nil).

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 18 August 2025.

INFORMATION FOR INVESTORS

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 30 June 2025:

2,782,493,742

Market capitalization as at 30 June 2025:

HK\$15,665,439,767

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 the six months ended 30 June 2025:

- RMB34.55 cents

Interim dividends per Share:

- HK18.0 cents with a scrip dividend option

Key dates for investors

18 August 2025

2025 interim results announcement

5 to 9 September 2025

Closure of the register of shareholders for determination of interim dividend entitlement (both days inclusive)

30 October 2025

Payment of interim dividends

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:

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Billion Centre, 1 Wang Kwong Road

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Tel: (852) 2152 0333

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Media enquiries: media@xtep.com.hk

General enquiries: general@xtep.com.hk

GLOSSARY

In this interim 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
“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 Scheme”	the 2025 Share Option Scheme and the 2025 Share Award Scheme
“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 Xtep Convertible Bonds”	the 1.5% convertible bonds due 2026 in the principal amount of HK\$500,000,000 issued by the Company
“Board”	The Board of Directors of the Company
“Company”	Xtep International Holdings Limited
“Corporate Governance Code”	The Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Director(s)”	The director(s) of the Company
“DTC”	Direct-to-consumer
“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”	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 Global”	KP Global Investment Limited, owner of K-Swiss and Palladium brands
“KP Global Group”	KP Global and its subsidiaries
“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 10 to the Listing Rules
“PRC” or “China” or “Mainland China”	The People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macau and Taiwan
“R&D”	Research and development
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“U.S.”	United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Xtep”	Xtep brand
“Xtep Adult”	The adult’s sportswear business of the core Xtep brand
“Xtep Convertible Bonds”	the 2021 Xtep Convertible Bonds, 2024 Xtep Convertible Bonds and 2025 Xtep Convertible Bonds
“X Young”	The children’s sportswear business of the core Xtep brand

REVIEW OF INTERIM RESULTS

The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim result and the unaudited condensed consolidated financial statements for the six months ended 30 June 2025 with the independent auditor.

The independent auditor has reviewed the condensed consolidated financial statements for the six months ended 30 June 2025 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Friday, 5 September 2025 to Tuesday, 9 September 2025, both days inclusive, for the purpose of determining shareholders’ entitlements to the interim dividend. The record date for entitlement to the interim dividend is on Tuesday, 9 September 2025. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 4 September 2025. The payment date of the interim dividend is expected to be on Thursday, 30 October 2025.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at <http://www.xtep.com.hk>. The 2025 Interim Report for the six months ended 30 June 2025 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board of
Xtep International Holdings Limited
Ding Shui Po
Chairman

Hong Kong, 18 August 2025

As at the date of this announcement, the executive Directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing, Mr. Ding Ming Zhong and Mr. Yeung Lo Bun; the non-executive Director is Mr. Tan Wee Seng and the independent non-executive Directors are Dr. Bao Ming Xiao, Dr. Wu Ka Chee, Davy and Dr. Chan Yee Wah.