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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)

2024 INTERIM RESULTS ANNOUNCEMENT

RESULTS HIGHLIGHTS

- The Group's revenue increased by 10.4% to RMB7,203.2 million (1H2023: RMB6,522.4 million), primarily driven by the steady performance of the core Xtep brand and resilience of the new brands in Mainland China.
- Revenue of the core Xtep brand increased by 6.6% to RMB5,789.2 million (1H2023: RMB5,429.6 million). Revenue of professional sports segment rose 72.2% to RMB592.5 million with a net profit of RMB31.8 million.
- The Group's gross profit margin increased by 3.1 percentage points to 46.0% (1H2023: 42.9%).
- Profit attributable to ordinary equity holders of the Company grew 13.0% to RMB752.1 million (1H2023: RMB665.4 million).
- The Group's financial position remains strong, with net operating cash inflow surging by 211.6% to RMB826.4 million (1H2023: RMB265.3 million).
- Proposed an interim dividend of HK15.6 cents per Share (1H2023: HK13.7 cents per Share), representing a dividend payout ratio of 50.0%.
- The Group became the first sportswear company in China to receive "A" in MSCI ESG Ratings in July, showcasing exceptional advancements in our ESG practices.
- Following the proposed strategic divestiture of K-SWISS and Palladium announced in May 2024 as detailed in the circular dated 2 August 2024, the Group will concentrate its resources on developing the highly profitable brands, including the core Xtep brand, Saucony and Merrell, with a strategic reorientation to focus on running.

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 2024. This announcement, containing the full text of the 2024 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 principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products covering footwear, apparel and accessories for adults and children. With a diverse brand portfolio encompassing the core Xtep brand, K-SWISS, Palladium, Saucony and Merrell to strategically target the mass market, athleisure and professional sports segments, the Group has an extensive global distribution network with more than 8,600 stores in Asia-Pacific, North America and EMEA.





CONTENTS

Interim Results at a Glance	2
Milestones	3
Five-Year Financial Summary	4
Corporate Information	5
Chairman's Statement	6
Management Discussion and Analysis	8
Corporate Governance and Other Information	39
Independent Review Report	45
Interim Condensed Consolidated Income Statement	46
Interim Condensed Consolidated Statement of Comprehensive Income	47
Interim Condensed Consolidated Statement of Financial Position	48
Interim Condensed Consolidated Statement of Changes in Equity	50
Interim Condensed Consolidated Statement of Cash Flows	52
Notes to Interim Condensed Consolidated Financial Information	53
Information for Investors	82
Glossary	83



Revenue

RMB
7,203 million
▲ 10.4%



Profit attributable to ordinary equity holders

RMB
752 million
▲ 13.0%



Interim dividend per Share

HK
15.6 cents
Payout ratio: 50.0%



Net operating cash inflow

RMB
826 million
▲ 21.6%



Net asset value per Share

RMB
3.57

As at 31 December 2023: RMB3.38



MSCI ESG Ratings

Upgraded to "A"

Xtep sponsored the 2024 Xiamen Marathon, a Platinum Label race, for 16 consecutive years.



JAN

Xtep partnered with China Athletics Association to host the “321 Running Festival” and launched the highly sought-after “360X” carbon fiber plate running shoe designed for mass market runners.



“160X” championship running shoes assisted He Jie to break national marathon record in 2024 Wuxi Marathon.

MAR

Xtep announced the proposed strategic divestiture of K-SWISS and Palladium to concentrate its resources on developing the highly profitable brands including core Xtep brand, Saucony, and Merrell.

Xtep launched the new triumphant colorway for its championship running shoe series, blending cutting-edge technologies and stylish French aesthetic design.



Xtep Kids established a partnership with Tsinghua University Research Center for Sports and Health Science to build a database for Chinese children’s health and growth.

MAY

Merrell introduced the “HYDRO NEXT GEN MOC Venom 3.0” shoe to deliver a highly cushioned effect to consumers for a variety of scenarios.



JUL

Saucony appointed renowned actor Eddie Peng as its brand spokesperson to consolidate its bond with running and social elites in China.



FIVE-YEAR FINANCIAL SUMMARY

For the six months ended 30 June

	2024	2023	2022	2021	2020
Profitability data (RMB million)					
Revenue	7,203.2	6,522.4	5,683.6	4,134.9	3,679.1
Gross profit	3,314.3	2,797.1	2,386.8	1,729.4	1,489.1
Operating profit	1,094.1	986.6	921.7	683.6	500.7
Profit attributable to ordinary equity holders	752.1	665.4	590.4	426.5	247.9
Basic earnings per Share (RMB cents) (Note 1)	29.66	26.36	23.47	17.09	10.10
Profitability ratios (%)					
Gross profit margin	46.0	42.9	42.0	41.8	40.5
Operating profit margin	15.2	15.1	16.2	16.5	13.6
Net profit margin	10.4	10.2	10.4	10.3	6.7
Effective tax rate	28.1	26.8	33.2	34.7	39.6
Return on average total equity holders' equity (annualized) (Note 2)	16.4	15.7	14.6	11.5	7.1
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	13.3	13.2	10.2	10.6	10.8
Staff costs	10.8	10.0	11.9	12.4	12.4
R&D costs	2.2	2.7	1.9	2.5	2.8

As at 30 June

	2024	2023	2022	2021	2020
Assets and liabilities data (RMB million)					
Non-current assets	5,335.0	4,648.8	3,907.7	3,682.0	3,628.2
Current assets	12,197.0	11,974.4	11,891.5	8,936.0	9,310.9
Current liabilities	6,197.0	6,288.7	5,328.3	3,295.5	3,810.9
Non-current liabilities	1,893.8	1,537.0	2,140.8	1,677.9	2,041.7
Non-controlling interests	–	69.1	52.9	70.3	88.1
Total equity holders' equity	9,441.2	8,728.4	8,277.2	7,574.3	6,998.4
Asset and working capital data					
Current asset ratio	2.0	1.9	2.2	2.7	2.4
Gearing ratio (%) (Note 3)	16.8	19.7	18.9	15.4	18.1
Net asset value per Share (RMB) (Note 4)	3.57	3.34	3.16	2.91	2.81
Average inventory turnover days (days) (Note 5)	94	115	106	79	94
Average trade receivables turnover days (days) (Note 6)	114	106	102	112	137
Average trade payables turnover days (days) (Note 7)	123	123	138	114	142
Overall working capital days (days)	85	98	70	77	89
Rolling average inventory turnover days (days) (Note 8)	100	107	93	81	74
Rolling average trade receivables turnover days (days) (Note 9)	100	92	87	110	105
Rolling average trade payables turnover days (days) (Note 10)	110	111	112	123	108
Rolling overall working capital days (days)	90	88	68	68	71

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 divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 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 divided by revenue during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 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 divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 2024).

BOARD OF DIRECTORS**Executive Directors**

Ding Shui Po (*Chairman*)
Ding Mei Qing
Ding Ming Zhong

Non-executive Director

Tan Wee Seng

Independent Non-executive Directors

Bao Ming Xiao
Wu Ka Chee, Davy
Chan Yee Wah

BOARD COMMITTEES**Audit Committee**

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

Remuneration Committee

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

Nomination Committee

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

Sustainability Committee

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

COMPANY SECRETARY

Cheung Yan Kiu, FCPA

AUTHORIZED REPRESENTATIVES

Ding Shui Po
Cheung Yan Kiu

REGISTERED OFFICE

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

**PRINCIPAL PLACE OF BUSINESS
IN HONG KONG**

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

HEAD OFFICE IN THE PRC

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

**LEGAL ADVISER AS TO HONG KONG
LAWS**

Loeb & Loeb LLP

AUDITOR

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

**CAYMAN ISLANDS PRINCIPAL SHARE
REGISTRAR AND TRANSFER OFFICE**

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

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.xtep.com.hk



Dear Shareholders,

In a global landscape marked by geopolitical tensions and economic uncertainty, consumer sentiment remained subdued and continued to weigh on China's retail performance. Although concerns over the fragile economy are prompting price-conscious consumers to trade down and exercise greater caution in discretionary spending, sportswear continued to outperform the retail sector and remained one of the few industries underpinned by solid domestic demand in the first half of 2024. Leveraging our competitive pricing strategies targeting the mass market in China, retail sales of the core Xtep brand recorded high single-digit growth in the first half of 2024. Steered by a steady increase in sports participation, the recently concluded Olympic Games, which sparked consumer enthusiasm for sports, and an enhanced focus on health and wellbeing, consumer appetite for sportswear surged. Consequently, inventory in the sportswear sector gradually returned to healthy levels, thus contributing to a stable industry outlook in the second half of 2024 and beyond.

PERFORMANCE REVIEW

The Group's solid performance in the first half of 2024 attests to its financial stability and the robustness of its business model. The Group's revenue increased by 10.4% to RMB7,203.2 million (1H2023: RMB6,522.4 million). Revenue of the core Xtep brand increased by 6.6% to RMB5,789.2 million (1H2023: RMB5,429.6 million). The Group's gross profit margin reached 46.0% (1H2023: 42.9%). Operating profit climbed by 10.9% to RMB1,094.1 million (1H2023: RMB986.6 million). Profit attributable to ordinary equity holders of the Company amounted to RMB752.1 million (1H2023: RMB665.4 million), up 13.0%. Basic earnings per Share were RMB29.7 cents (1H2023: RMB26.4 cents). The Board has declared an interim dividend of HK15.6 cents per Share (1H2023: HK13.7 cents), with an option to receive scrip shares in lieu of cash, representing a dividend payout ratio of 50.0% (1H2023: 50.0%).

STRATEGIC REORIENTATION TO FOCUS ON RUNNING

Since the Group embarked on its journey to become a leading multi-brand sportswear company in 2019, we have seized new market opportunities but have also been presented with a myriad of challenges arising from the COVID-19 pandemic. Following a thorough review of our business strategy and financial objectives, we announced the proposed strategic divestiture of K-SWISS and Palladium ("KP") in May 2024. The decision to carve out the constantly underperforming segment from the Xtep portfolio will eliminate the ongoing impact of KP's loss on Xtep's profitability and cash flows, allowing us to concentrate our resources on developing the highly profitable brands — our core Xtep brand, Saucony and Merrell. The Group's operations will be streamlined, with the core Xtep brand targeting the mass market; Saucony catering to the high-end, sophisticated consumers; and Merrell specializing in trail running and outdoor sports. Sharing unique similarities that underscore the Group's leading position in running, these three brands are expected to generate maximum synergies and accelerate sustainable growth.

SEIZING OPPORTUNITIES IN ADVERSITY

Against a backdrop of macroeconomic uncertainties, price-conscious consumers are evaluating purchases based on value for money and functionality. Their preference for quality local brands has provided Xtep with an added edge in the marketplace. As a mass market brand, the core Xtep brand seamlessly taps into the growing demand for professional running products that represent good value for money. The success and popularity of our mass market running shoes have translated into the highest marathon wear rate in China, contributing to our success in achieving consistent expansion in our market share over the years.

Meanwhile, sophisticated consumers in higher-tier cities are becoming more discerning and seeking sportswear that is an alternative to the traditional big labels, fueling the emergence of up-and-coming international sportswear brands in China. Capitalizing on this evolving consumer demand, Saucony has caught on in the mainstream and become one of the fastest-growing sportswear brands in China. As the first new brand in the Group to achieve profitability, Saucony has manifested an impressive growth trajectory in recent years, driven by its strategic brand positioning to focus on running and social elites in China. The brand has received an enthusiastic response from China's professional running community,

as evidenced by its remarkable wear rates in domestic and international marathons. As we continue to focus our efforts on expanding Saucony's business scale in China, we will broaden localized designs and lifestyle offerings without compromising on product quality, while accelerating the opening of new-look image stores in higher-tier cities.

In addition, China's rapidly expanding outdoor sports sector represents a promising opportunity for Merrell to gain market share in the future. By creating demands for various outdoor scenarios, we offer thoughtfully designed products with cutting-edge performance and versatility to high-end consumers. Leveraging its effective omni-channel sales strategy and strong brand image, Merrell has further explored growth opportunities in the e-commerce channel and achieved encouraging results.

FORGING AHEAD WITH CONFIDENCE

Uncertainty surrounding China's economy is expected to persist in the second half of 2024. However, strong national policies to promote sports development are expected to spark consumer enthusiasm for sports and lay a solid foundation for stable growth in the sportswear sector. Our confidence in the Group's resilience and prospects remains unwavering. In addition, the Group became the first sportswear company in China to receive "A" in MSCI ESG Ratings in July 2024, showcasing exceptional advancements in our ESG practices. Looking ahead, we are committed to adopting a conservative operating approach to drive operational excellence, generate resilient cash flows and maintain strong governance to foster continued organic growth.

Finally, I would like to express my deepest gratitude to all shareholders, customers, and business partners for their unwavering trust and support over the years. I would also like to thank my fellow directors and our staff for their extraordinary efforts and dedication. Their hard work has contributed significantly to our resilient financial performance notwithstanding all the challenges. With their continued contributions to the Group, we are well positioned to address future challenges and seize opportunities as we strive to deliver sustainable returns for our shareholders.

Mr. Ding Shui Po

Chairman

Hong Kong, 20 August 2024

CORPORATE STRATEGY

Following the proposed strategic divestiture of K-SWISS and Palladium (“KP”) announced in May 2024 as detailed in the circular dated 2 August 2024, we will concentrate our resources on developing the highly profitable brands in our portfolio. The Group will continue to focus on running, with the core Xtep brand targeting the mass market; Saucony catering to the high-end sophisticated customers; and Merrell specializing in trail running and outdoor activities, enhancing synergy among these brands.

CONTINUOUS FOCUS ON RUNNING



NO.1 RUNNING BRAND IN CHINA

MARKET DEVELOPMENT

China's marathon revival in full swing

Under the strategic guidance of a national fitness agenda, the concept of engaging in physical exercise has gradually become more widespread in China. As the country emerged from the shadow of the pandemic, the year 2023 was studded with major sporting events in a variety of disciplines. In particular, participation in road races became a spontaneous popular activity for Chinese people. Marathons made a strong comeback and saw a significant surge in numbers in China, taking the lead in driving the growth of the sportswear sector. According to the Chinese Athletics Association, there were 622 marathons and 6.1 million participants in road running events in China in 2023, approaching pre-pandemic levels.

As both competitive and mass events, running events have brought promising social and economic benefits to the host cities. Cities across China have used road races for publicity and promotion. For example, Shenzhen is set to host approximately 200 major domestic and international events at both municipal and district level in 2024. In addition to hosting the Shenzhen Marathon 2024, a World Athletics Gold Label race, the city has also completed the initial phase of a hiking trail system with a total length of approximately 420 kilometers, demonstrating its focus on organizing road races, cross-country runs, and hiking events. Improving fitness accessibility throughout the country has remained a pressing national endeavor, supporting the bullish outlook for road racing events in the long run.

Polarization in consumer behavior

Consumer confidence across China has been undermined by a variety of economic and social factors. Macroeconomic uncertainties, concerns about job security and the property market, etc., have made consumers more cautious and selective with their spending. Discerning consumers tend to spend in a more rational way and look for value, functionality and quality when searching for desired products. As such, brands targeting the mass market with value-for-money, functional product offerings will be better positioned to capitalize on this trend.

While trade down continues, some consumers who prioritize high quality, positive values and experiences, or emotional driven in decision making are willing to pay a premium in their purchase decision. These behavioral shifts have created an opportunity for some emerging brands to establish a solid foothold and increase market share. By identifying the emotional motivators of this customer segment, these brands have invested in targeted marketing and a focus on product design to seamlessly tap into demand. Thus, a multi-brand portfolio with a strategic focus on both mass market and sophisticated customer groups will provide companies with the flexibility to effectively meet the diverse and evolving needs of customers.



BUSINESS REVIEW



Running shoe of choice for mass market runners

As the most recognized running brand in China, we have demonstrated excellence in product development and performance through the 408 marathon championships and national records achieved by our sponsored athletes in China. The endorsement of our professional running products by top athletes has reinforced the association between the brand and its expertise in running, successfully increasing the popularity of our mass market running shoes and securing the highest marathon wear rate in China.

New triumphant colorway championship running shoe series

With running built into the fabric of the brand, we launched the flagship championship running shoe series to cater to runners of all ability levels, from mass market runners to professional and elite runners. Equipped with "XTEP ACE" midsole technology, carbon fiber plate and TPU plate, the series, which includes the "160X 5.0 PRO", "160X 5.0", "260X", "360X" and "ULTRAFAST 5.0", provides runners with superior rebound, propulsion and cushioning to improve their race times and support their training.

Inspired by the Paris Olympics, Xtep pushed the boundaries of running shoe design to create innovative styles that not only look great, but also boost athletic performance. The new triumphant colorway for our championship running shoes was launched in May, combining our cutting-edge technologies with stylish French aesthetics to offer excellent speed and artistic elements.



“XING YUN” mass market running collection

Guided by our mission to provide mass market consumers with value-for-money professional sportswear products, we continued to expand our product offerings and price range for mass market runners. Among several new additions to the mass market series, the newly launched “XING YUN” running shoe has received positive reviews from our customers. The collection features a lightweight and breathable fly knit fabric upper that provides flexibility and ventilation for all-day comfort in multiple scenarios.



Reinforcing the running ecosystem

Xtep Running Clubs

The core Xtep brand spared no effort to solidify its leadership in running and the largest running ecosystem in China. During the period, we provided value-added services to Xtep Runners Club members through Xtep Running Clubs (XRCs). Located in the best city parks and prominent running venues in Mainland China, our XRCs provide runners with one-stop professional running services, including running advice, running group support, mobile charging and shower facilities. Through regular running events organized by the XRCs and their affiliated running groups, as well as targeted sales of our stellar running products, we have been able to increase community penetration and further strengthen our running ecosystem.



Marathon event sponsorship

The revival of marathons seems to be gaining momentum as China has witnessed a significant surge in the number of marathons. Echoing the increased enthusiasm of the Chinese people for running, Xtep sponsored marathons and running events in the first half of 2024 to raise public health awareness and accelerate the development of the sport in the country. These events included the 2024 Xiamen Marathon — a highly prestigious World Athletics Platinum Label marathon, and Gold Label marathons such as Chongqing Marathon and Yangzhou Jianzhen Half Marathon.

Marathons and running events sponsored by Xtep in 1H2024:





Basketball

Product innovation

JLIN5 basketball shoes hit the market

Committed to integrating research and technology into sports, Xtep has helped basketball players achieve their best performance on the court with outstanding products. The JLIN5 basketball shoes launched in June 2024 feature wrap-around TPU, a heel stabilizer, full palm “XTEP ACE” midsole technology, shovel-shaped carbon plate and wear-resistant anti-slip rubber, all of which help players improve their speed and provide better support.

Xtep as the official sponsor of Chinese 3x3 Basketball Super League

Xtep became the official sponsor of the Chinese 3x3 Basketball League (Super 3) in May 2024. The Super 3 sports equipment supplied by Xtep for the latest season features higher-quality technical fabrics and an optimized design. The exterior design not only maintains the overall style of Super 3, but also integrates the cultural elements of the team’s hometown. Xtep will continue to deepen its cooperation with top races such as Super 3 to reach more diverse groups and make greater contributions to the development of basketball in China.

Lifestyle

Xtep x Fan Chengcheng crossover collection

Leveraging our strong partnership with celebrity spokesperson Fan Chengcheng, we continued to launch a crossover collection in May 2024. Inspired by his pet dog Miya, Fan Chengcheng designed a weekend capsule wardrobe featuring coordinating outfits for various occasion. This collection was a constant trending topic on various social media platforms and successfully increased the exposure of our lifestyle offerings among younger consumers.



**Fan
Chengcheng**

Xtep Brand
Spokesperson

Retail management and branding

By integrating technology and digital tools into our retail stores, we have created an immersive shopping experience that engages consumers on a personal level. With a larger average gross floor area and a more comprehensive product assortment, the ninth-generation stores have continuously boosted average transaction values and store productivity, while enhancing customer loyalty and brand image.

As at 30 June 2024, there were 6,578 Xtep Adult branded stores mainly operated by authorized distributors in Mainland China and overseas (31 December 2023: 6,571).



Number of Xtep Adult branded stores in Mainland China and overseas as at 30 June 2024:

6,578



E-commerce

As consumers have returned to online shopping in 2024, revenue of our e-commerce business recorded robust growth of over 20% in the first half of 2024, accounting for over 30% of the revenue of the core Xtep brand. Among e-commerce platforms, livestreaming and social e-commerce platforms have gained significant traction and become the fastest growing retail channels. Retail sales from Douyin, DeWu and WeChat Channels surged over 80% year on year.

Owing to our reputation and specialization in running, our running products have contributed substantially to the robust retail sales growth for the e-commerce business. During the 618 Shopping Festival, the online gross merchandise value of the Group and the core Xtep brand increased by over 50% and 40%, respectively.

Xtep Kids

Our intensified efforts to cultivate young sports talent have yielded fruitful results. By collaborating with sports experts to provide professional sportswear for Chinese children and encouraging them to participate in sports, the Kids business enjoyed remarkable success and continued to fuel the growth of the core Xtep brand in the first half of 2024. As at 30 June 2024, there were 1,706 Xtep Kids stores in Mainland China (31 December 2023: 1,703), predominantly operated by the Group's authorized distributors.

Xtep Kids collaborated with Tsinghua University Research Center for Sports and Health Science

Xtep Kids officially established a partnership with Tsinghua University Research Center for Sports and Health Science in May 2024. The parties will work hand in hand to build a database for the health and growth of China's children, promoting scientific sports and safeguarding the healthy growth of the nation's youth. Through this collaboration, we will continuously achieve breakthroughs in product development under the guidance of experts from the university.



Collaboration with university technology teams to launch "A+ Healthy Growth Sneaker"

We collaborated with the Shanghai University of Sport and the Yilan Technology Team of Tsinghua University to take sports science for children to the next level. Utilizing AI algorithms to accurately collect data, analyze children's sports scenarios, and identify potential injury risks, Xtep Kids proudly presented the "A+ Healthy Growth Sneaker", its newest design that is better suited for the shape of Chinese children's feet. The materials used in "A+ Healthy Growth Sneaker" have undergone comprehensive upgrades. With a widened fore-sole design and a dual 360-degree TPU structure and a smart parameterized outsole, the shoe increases stability and provides more grip.

"Blazing Sun Scheme" to help children reach their full potential

Under the "Blazing Sun Scheme", Xtep Kids has deepened its partnership with over 100 sports experts, including seasoned running coaches and authority figures, to create over 30 high-quality sports classes for children in China in the first half of 2024. Combining professional academic theories and authoritative teaching in sports, these classes aim to build a more empowered future for children and fully stimulate the sports potential of the country's youth.



Through its distinctive brand positioning and product capabilities, Saucony has created meaningful connections with its audience. As one of the most sought-after international sportswear brands in China, Saucony's revenue now represents an important contribution to the professional sports segment. Revenue from the professional sports segment achieved robust and consistent year-on-year growth of 72.2% to RMB592.5 million, accounting for 8.2% of the Group's revenue in the first half of 2024. The segment also recorded a net profit of RMB31.8 million.

Strategic brand positioning to target running and social elites

As a leading global running brand that fuses performance, innovation, and style to create award-winning sportswear for runners, Saucony's popularity among the running community in China has grown rapidly over the past few years. The success of its strategic brand positioning, targeting the running and social elites in China's higher-tier cities, has been reflected in rapid sales growth, a top-three ranking in terms of wear rates in international and domestic marathons, and an increase in market share. In order to sustain Saucony's future growth and expand its target market, more new image stores will be launched in higher-tier cities in Mainland China. As at 30 June 2024, there were 128 Saucony stores in Mainland China.

SAUCONY'S WEAR RATE RANKING IN MAJOR MARATHONS

No.
3

Mainland China
ALL RUNNERS

No.
2

Boston
ALL RUNNERS

No.
2

London
ALL RUNNERS



Branding strategies to fuel growth

Since the announcement of the divestiture of the athleisure segment, the Group has decided to concentrate its resources to unlock value and focus on the core strengths of the professional sports segment. During the reporting period, Saucony intensified its branding efforts in various areas to drive growth, including spokesperson engagement, product innovation, channel enhancement and event sponsorship. In July 2024, Saucony appointed well-known actor Eddie Peng as its brand spokesperson. Eddie will play a leading role in promoting Saucony's entire product line, including the newly launched "TRIUMPH 22", "ENDORPHIN PRO 4" and "ENDORPHIN SPEED 4" series, leading today's runners to triumph with a professional perspective. The brand also sponsored the "Hood to Coast China Relay" for the fourth year and has accompanied more than 25,000 elite runners as they used their feet to trace the contours of the terrain, fully immersing themselves in this unique adventure.

Merrell has embraced an unwavering commitment to providing consumers with the best possible outdoor experience. In March 2024, Merrell introduced the "HYDRO NEXT GEN MOC VENOM 3.0" shoe. In addition to increased cushioning, the new design eliminates the rear heel strap design for improved comfort and features an enhanced outsole with durable rubber patches that significantly improve grip and traction, enabling runners to transition seamlessly between terrains. Recognizing the growing popularity of urban outdoor activities among younger generation, the brand collaborated with Palladium to add a stylish element to the shoe. With a chic and stylish look, the crossover collection has gained widespread attention from outdoor enthusiasts.

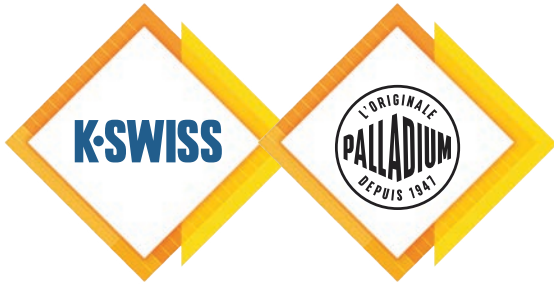
**TRIUMPH
22**



**Eddie
Peng**

Saucony Brand
Ambassador





Sluggish demand due to high inflation and economic uncertainty has dampened overseas growth for both K-SWISS and Palladium. Meanwhile, growth in Mainland China continued to accelerate, driven by meticulously executed rebranding efforts that increased store productivity and the customer base. In the first half of 2024, revenue from the athleisure segment increased by 9.7% to RMB821.5 million, accounting for 11.4% of the Group's revenue. Revenue from Mainland China grew rapidly by 85.7%, representing 39.2% of revenue contribution.

Business development

K-SWISS has made great strides in building strong brand associations in the minds of consumers. In June 2024, the brand opened its first tennis concept store in Shanghai, showcasing its tennis-inspired signature and classic collections. The concept store has reinforced K-SWISS' brand identity as a tennis athleisure sportswear brand and created meaningful interactions with consumers to facilitate valuable feedback. During the period, we continued to increase our presence and maintain store openings in higher-tier cities in Mainland China. As at 30 June 2024, there were 105 K-SWISS stores in Asia-Pacific, including Mainland China.

Palladium's solid growth in retail productivity in Mainland China is a testament to its success in optimizing the product portfolio and enhancing the brand image. In the first half of 2024, the brand continued to roll out new image stores infused with a trendy French aesthetic and a comprehensive selection of the brand's core and star product lines to cater to high-end consumers. As at 30 June 2024, there were 114 stores in Asia-Pacific, including Mainland China.



Product innovation and branding

To celebrate the grand opening of the new Macau flagship store at the Venetian Macau's Grand Canal Shoppes, K-SWISS held the "RE-BORN" global product unveiling event in March 2024. The event showcased K-SWISS' elite athletic "CLUB" series, professional tennis sportswear "COURT" series, and global ski product line, redefining the concept of a high-end fashion athletic brand. The atmosphere at the event was brought to a peak with the presence of K-SWISS ACE Lifestyle manager Nicholas Tse, Hong Kong singers Kenny Kwan and Gin Lee, and the brand's Taiwan spokesperson Amanda Chou. In June 2024, K-SWISS announced the appointment of well-known actor Kim Woo-bin as its brand ambassador to promote its high-end sportswear. The fan meetup at the Qingdao K-SWISS store successfully generated positive buzz and brand awareness.



Tan
Jianci

Palladium Global Brand
Ambassador



Palladium continues to collaborate with celebrity influencers to establish itself as a trendsetter in athleisurewear. In addition to partnering with Jeremy Lin to launch the "PALLADIUM X Jeremy Lin 3.0" crossover collection, the brand also leveraged Tan Jianci's popularity to create buzz around its products in the first half of 2024. Meanwhile, Palladium outfits young adults who have a strong desire to explore and embrace the unknown with the launch of its "Shark Tooth" outdoor shoe. Equipped with a Vibram sole, lock laces and nylon mesh and TPU film uppers, the model is designed to provide optimal grip, breathability and water resistance for outdoor excursions.

Sustainability

MSCI ESG Ratings upgraded to “A”

Xtep became the first company in China sporting goods industry to receive “A” in MSCI ESG Ratings in July 2024. In this rating, we showed significant improvements in key areas such as supply chain labour standards, labour management, corporate governance and business ethics, fully demonstrating our unremitting efforts and outstanding achievements in ESG management.



Advocating sustainable consumption

Xtep remains steadfast in its commitment to sustainability and actively explores the use of recyclable and bio-based materials in its sportswear. In April 2024, Xtep unveiled the limited edition “Earth Day” colorway for its “160X 5.0” and “260X” Championship Running Shoes. This innovative series seamlessly integrates Xtep’s cutting-edge technologies with eco-friendly bio-based materials, reducing carbon emissions by 11.6–13.1 grams per pair and promoting the recycling of waste materials.

Promoting a positive impact on society

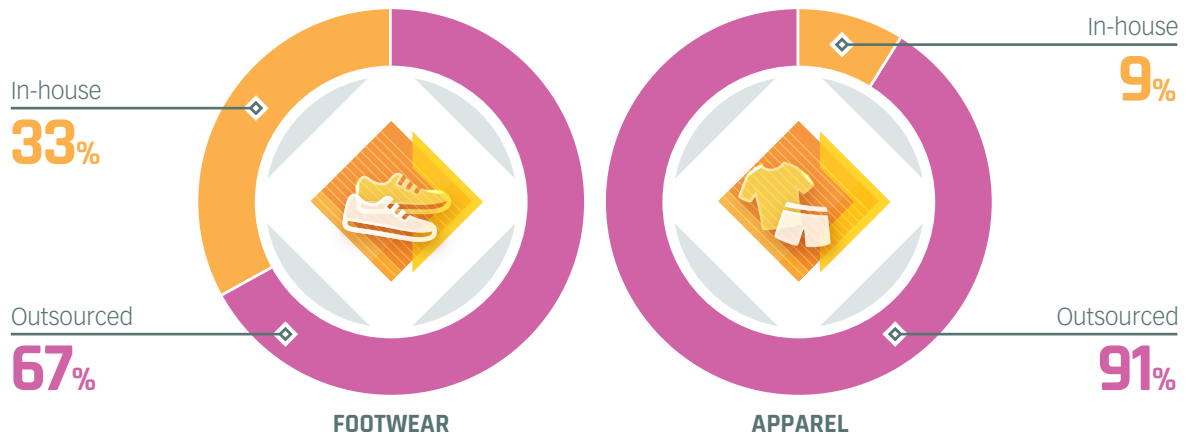
Xtep recognizes that fulfilling social responsibility is a key driver of sustainable development. Therefore, we have actively participated in various charity events to positively impact society. In the first half of 2024, Xtep contributed sportswear and financial donations exceeding RMB28.8 million to various community programs. On the occasion of World Autism Awareness Day, Xtep organized a charity activity themed “Not a Lonely Planet — Focus on the Social Group with Special Needs” at the Xtep Running Club in Xiamen Huandong, with the aim of promoting care for autistic children. More than 30 autistic children and their families were invited to participate in the event, spreading warmth and love by running together. Additionally, Xtep donated RMB5 million to the Quanzhou Autism Care Fund, with the aim of providing more comprehensive rehabilitation treatment and educational resources for autistic children.



Operations management

Supply chain management

Supported by a highly efficient supply chain, we are committed to maintaining seamless business operations and processes. In order to optimize our supply chain for maximum efficiency, we continue to streamline the manufacturing processes for footwear and apparel through collective sourcing of materials.



The construction of the second phase of the in-house production facility in Shishi, Fujian Province, is well underway. This facility will feature state-of-the-art footwear assembly lines to satisfy the increasing demand, with a total planned gross floor area of approximately 170,000 square meters, of which 30,000 square meters is expected to be completed in October 2024.

The new industrial park in Bengbu, Anhui Province, which commenced operations in May 2023, comprises a footwear production facility of approximately 48,000 square meters and an apparel production facility of 25,000 square meters, effectively supporting the ever-expanding business.

Meanwhile, the logistics park in Jinjiang, Fujian Province, is under construction. With a planned gross floor area of approximately 240,000 square meters, the logistic park will serve as a central warehouse to effectively facilitate the delivery of finished goods directly to brand retail stores and maximize our operational efficiency.

Human resources management

As at 30 June 2024, the Group employed approximately 9,300 employees (31 December 2023: approximately 9,100 employees), of which 57.2% were production employees (31 December 2023: 56.8%). Attracting and retaining talent through our sophisticated performance management system is the key to our business development. Employees are encouraged to regularly discuss their performance with their supervisors to facilitate decisions regarding promotions and salary adjustments.

Additionally, we continue to assess our employees’ training needs and equip them with the skills they need to meet the demands of their current role. With courses covering three key areas, including professionalism, leadership, and cultural operation, our Xtep Talent Center provides comprehensive courses supported by an online learning platform, enabling our employees to acquire new skills and sharpen existing ones to strengthen their work performance. As of 30 June 2024, the Xtep Talent Center has delivered more than 180,000 hours of online and offline training to employees.

Prospects

It is expected that the proposed strategic divestiture of KP to focus our resources on developing the running business will strengthen our leadership in this sport segment. By leveraging the absolute advantage of the core Xtep brand in the running sector, supported by the largest running ecosystem in China and the synergies between the core Xtep brand, Saucony, and Merrell, we will be able to further increase market penetration and identify untapped customer segments. As a result, the Group is well positioned to meet the needs of customers from all socio-economic backgrounds amid the expanding running sector in China.

As macroeconomic headwinds make consumers in China more cost-conscious, the core Xtep brand has unleashed the values of its main competencies as a mass market brand offering value-for-money professional running products. Currently the most recognized running brand in China with the highest marathon wear rate in the country, the core Xtep brand will continue to make steady progress toward its long-term goal of strengthening the running ecosystem, from promoting research and development capabilities to cultivating the running community and helping athletes achieve breakthrough performances.

Capitalizing on the evolving demand of sophisticated customers for emerging international sportswear brands in China, the Group will continue its efforts to realize the growth potential of the professional sports segment. In addition, by leveraging the synergies of the core Xtep brand in terms of product innovation, marketing and retail network, Saucony will be able to convey its brand positioning to top runners and social elites by offering premium professional running products. We will continue to broaden our product offerings, increase marketing efforts and accelerate the opening of new-image Saucony stores in higher-tier cities. Meanwhile, Merrell will expand its product line to support outdoor athletes who enjoy tackling various terrains, and adopt a demand-driven supply approach to achieve sustainable business growth.

The global economic landscape is expected to remain challenging and complex in the second half of 2024. Nonetheless, the increase in sports participation in China has increased our confidence in the outlook for the sportswear sector. Our foresight in focusing on running, as well as our resilient and diversified brand portfolio, will continue to enable us to benefit from changing consumer behaviour, paving the way for long-term sustainable growth.

FINANCIAL REVIEW

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

	2024 Revenue		2023 Revenue		Change in revenue (%)
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	
Footwear	4,446.0	61.7	3,889.3	59.6	14.3
Apparel	2,605.0	36.2	2,497.0	38.3	4.3
Accessories	152.2	2.1	136.1	2.1	11.8
Total	7,203.2	100.0	6,522.4	100.0	10.4

Percentage of revenue



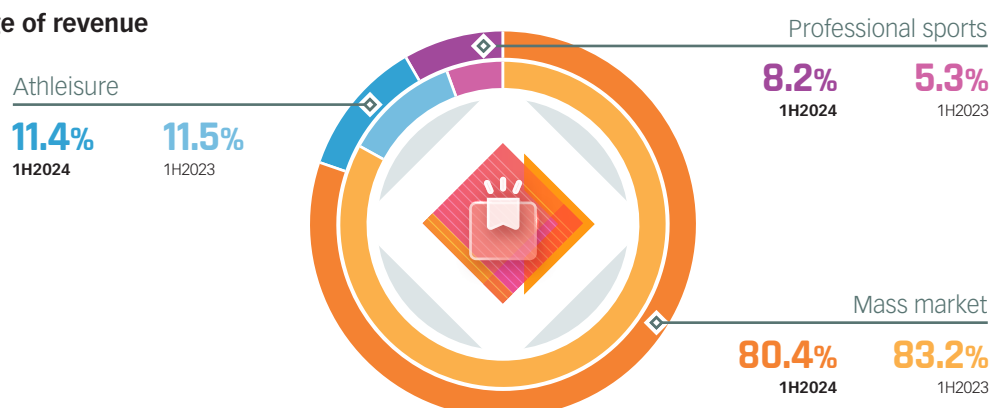
Group Revenue Breakdown by Brand Nature

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

For the six months ended 30 June

	2024 Revenue		2023 Revenue		Change in revenue (%)
	(RMB Million)	(% of Revenue)	(RMB Million)	(% of Revenue)	
Mass market	5,789.2	80.4	5,429.6	83.2	6.6
Athleisure	821.5	11.4	748.6	11.5	9.7
Professional sports	592.5	8.2	344.2	5.3	72.2
Total	7,203.2	100.0	6,522.4	100.0	10.4

Percentage of revenue



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

Brand Nature	Signature Brands
Mass market	Xtep
Athleisure	K-SWISS, Palladium
Professional sports	Saucony, Merrell

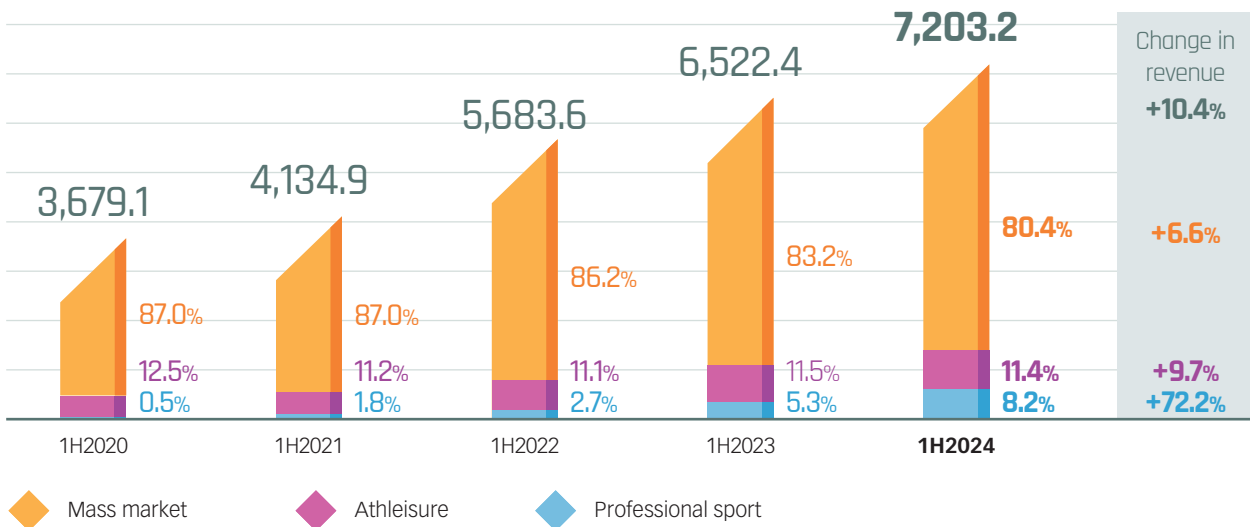
Analysis of Group Revenue

The Group's total revenue for the period amounted to approximately RMB7.2 billion (2023: RMB6.5 billion), reflecting a year-over-year increase of 10.4%. This growth was primarily driven by:

- **Mass Market:** Revenue from the mass market segment increased by 6.6% to RMB5.8 billion. This growth was mainly attributed to the strong performance of our online channels, which have seen substantial increases in consumer engagement and sales.
- **Athleisure:** Revenue in the athleisure segment grew by 9.7% to RMB821.5 million. This growth is primarily driven by the China market, where we observed over 80% year-over-year growth. However, this was partially offset by a decrease in our international business outside of China.
- **Professional Sports:** The professional sports segment saw significant growth of 72.2%, with revenue rising to RMB592.5 million. This remarkable increase was driven by higher product popularity and strong retail performance, highlighted by double-digit same-store growth and robust online sales performance.

REVENUE

(RMB million)



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

	2024		2023		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	2,050.5	46.1	1,622.4	41.7	26.4	4.4
Apparel	1,211.4	46.5	1,123.3	45.0	7.8	1.5
Accessories	52.4	34.4	51.4	37.8	1.9	-3.4
Total	3,314.3	46.0	2,797.1	42.9	18.5	3.1

Percentage of gross profit



The Group's overall gross profit margin increased to 46.0% (2023: 42.9%). This improvement was mainly driven by the higher contribution from the direct-to-consumer (DTC) model, which carries higher gross margins. Notably, there was an increased contribution from e-commerce in the Mass Market segment and a higher revenue contribution from the Athleisure and Professional Sports segments, both of which have a higher proportion of DTC operations.

Gross Profit and Gross Profit Margin Breakdown by Brand Nature

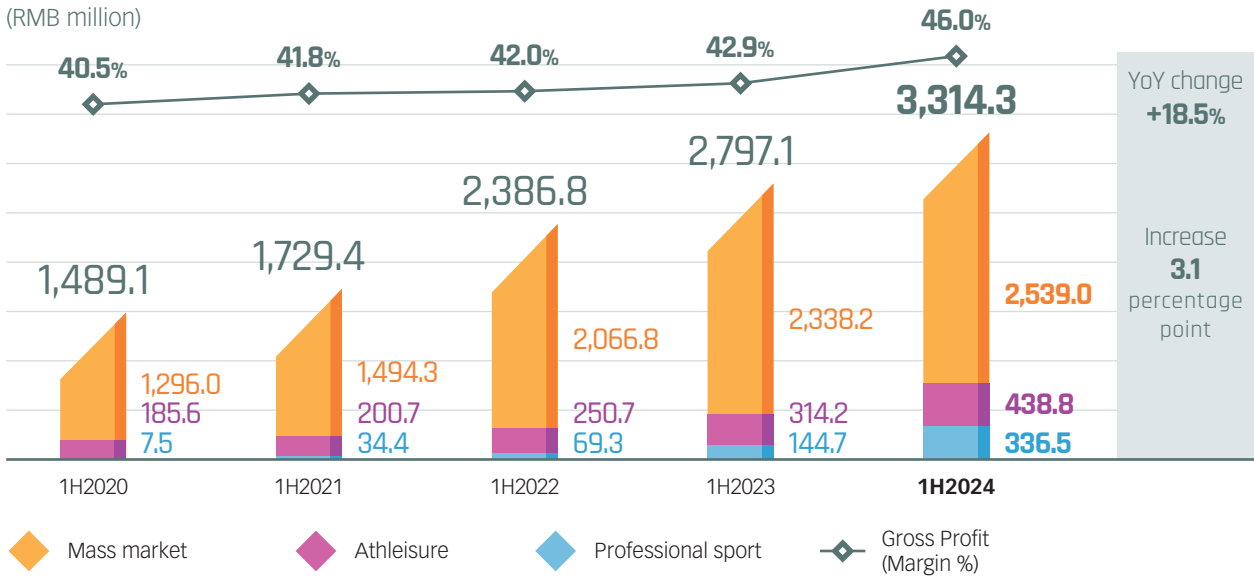
The following table sets out the gross profit and gross profit margin by brand nature:

For the six months ended 30 June

	2024		2023		Change in gross profit (%)	Change in gross profit margin (% point)
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)		
Mass market	2,539.0	43.9	2,338.2	43.1	8.6	0.8
Athleisure	438.8	53.4	314.2	42.0	39.6	11.4
Professional sports	336.5	56.8	144.7	42.0	132.6	14.8
Total	3,314.3	46.0	2,797.1	42.9	18.5	3.1

GROSS PROFIT

(RMB million)



Analysis of Gross Profit and Gross Profit Margin

For the six months ended 30 June 2024, the Group's gross profit increased to RMB3,314.3 million, representing a growth of 18.5% from RMB2,797.1 million in the same period in 2023. The overall gross profit margin improved to 46.0%, up from 42.9% in the previous period, reflecting a 3.1 percentage point increase. The breakdown by brand nature is as follows:

- **Mass Market:** Gross profit for the mass market segment grew by 8.6% to RMB2,539.0 million (2023: RMB2,338.2 million), with the gross profit margin improving to 43.9% from 43.1%. This growth was primarily driven by a higher contribution from e-commerce, which has a higher gross margin than wholesale business, along with an increase in the e-commerce gross margin.
- **Athleisure:** Gross profit in the athleisure segment rose significantly by 39.6% to RMB438.8 million (2023: RMB314.2 million), with the gross profit margin increasing to 53.4% from 42.0%. This improvement was largely due to a higher contribution from the China market, where the direct-to-consumer (DTC) model, which has a much higher gross margin, is prevalent. There was also less stock clearance compared to the previous year, and a lower contribution from the international business, which operates on a wholesale model with lower margins.
- **Professional Sports:** The professional sports segment saw a dramatic increase in gross profit by 132.6% to RMB336.5 million (2023: RMB144.7 million), with the gross profit margin rising to 56.8% from 42.0%. This significant improvement was mainly due to the acquisition of the entire Saucony and Merrell joint venture interests, which allowed the Group to capture the full gross profit margin.

Other Income and Gains, net

For the six months ended 30 June 2024, the Group's other income and gains totaled approximately RMB274.5 million, down from RMB336.0 million for the same period in 2023. This decline was primarily due to reduced government grants of RMB207.3 million (2023: RMB229.7 million), a decrease in income derived from financial assets at FVPL and term deposits, as well as dividend income from an equity investment designated at FVOCI amounting to RMB24.3 million (2023: RMB49.9 million). The fair value loss from convertible bonds was RMB7.4 million, an improvement from the loss of RMB23.8 million in the previous period which offset part of the decrease.

Selling and Distribution Expenses

For the six months ended 30 June 2024, the Group's selling and distribution expenses amounted to approximately RMB1,692.3 million, representing 23.5% of the Group's total revenue (2023: RMB1,510.3 million, representing 23.2% of the Group's total revenue).

The increase in selling and distribution expenses by RMB182.0 million was mainly attributed to higher advertising and promotional costs, which increased to RMB960.1 million (2023: RMB858.9 million). This rise was primarily due to the acquisition of the entire Saucony and Merrell joint venture interests, leading to the consolidation of the Professional Sports segment's marketing expenses. Additionally, there was an increase in platform fees associated with higher e-commerce sales and increased direct-to-consumer (DTC) related expenses, including right-of-use (ROU) asset depreciation and store decoration costs.

General and Administrative Expenses

For the six months ended 30 June 2024, the Group's general and administrative expenses amounted to approximately RMB802.4 million, representing 11.1% of the Group's total revenue (2023: RMB636.3 million, representing 9.8% of the Group's total revenue).

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

Additionally, the Group made provisions for accounts receivable and inventory. Provisions for accounts receivable amounted to RMB3.2 million, compared to a reversal of RMB4.6 million in 2023. Inventory provisions increased to RMB43.8 million, compared to a reversal of RMB20.2 million in 2023.

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

	2024		2023		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	1,190.3	20.6	1,106.3	20.4	7.6	0.2
Athleisure	(99.2)	(12.1)	(66.3)	(8.9)	49.6	-3.2
Professional sports	23.3	3.9	13.3	3.9	75.5	-
	1,114.4	15.5	1,053.3	16.1	5.8	-0.6
Corporate	(20.3)	N/A	(66.7)	N/A	-69.5	N/A
Total	1,094.1	15.2	986.6	15.1	10.9	0.1

For the six months ended 30 June 2024, the Group's operating profit increased by 10.9% to RMB1,094.1 million, compared to RMB986.6 million for the same period in 2023. This increase was driven by strong performance in the mass market and professional sports segments, despite increased losses in the athleisure segment. The overall operating profit margin improved slightly to 15.2% from 15.1%. The breakdown by brand nature is as follows:

- Mass Market:** The operating profit for the mass market segment grew by 7.6% to RMB1,190.3 million (2023: RMB1,106.3 million), with the operating profit margin slightly increasing to 20.6% from 20.4%. This growth was primarily driven by a higher contribution from the e-commerce channel, which has higher margins compared to wholesale. The increase in revenue and gross profit outpaced the rise in SG&A expenses, demonstrating operational leverage of the segment operation.
- Athleisure:** The athleisure segment recorded an operating loss of RMB99.2 million, compared to a loss of RMB66.3 million in 2023, with the operating loss margin increasing to 12.1% from 8.9%. The increased loss was due to higher expenses associated with the direct-to-consumer (DTC) model in China, including retail staff salaries, rental expenses, and store decoration costs, which affected profitability. Additionally, the lower revenue from the international business, which primarily incurs fixed SG&A expenses, could not cover these costs, further impacting the segment's financial performance.
- Professional Sports:** The professional sports segment saw a significant increase in operating profit, rising by 75.5% to RMB23.3 million (2023: RMB13.3 million), with the operating profit margin remaining at 3.9%. This improvement was mainly due to the acquisition of the entire Saucony and Merrell joint venture interests, which allowed the Group to capture the full gross profit margin. However, the consolidation of marketing expenses, research and development expenses, and staff costs into the Group offset the increase in gross profit margin.
- Corporate:** The corporate segment reported an operating loss of RMB20.3 million, a significant improvement from the loss of RMB66.7 million in 2023. This reduction in loss was primarily due to less fair value loss from the derivative component of Xtep Convertible Bonds and K-Swiss Convertible Bonds and lower share-based payment expenses.

Non-GAAP Financial Measures for Professional Sports Segment

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

	For the six months ended		Change
	30 June 2024 As reported (RMB million)	30 June 2023 Non-GAAP (RMB million)	
Revenue	592.5	344.2	+72.2%
Gross profit	336.5	197.0	+70.8%
Gross profit margin	56.8%	57.2%	-0.4%pt
Operating profit	23.3	19.1	+22.4%
Operating profit margin	3.9%	5.5%	-1.6%pt

The following tables set forth the reconciliations of the Group's professional sports segment's non-GAAP financial measures and measures prepared in accordance with Hong Kong Financial Reporting Standard ("HKFRS") for the six months ended 30 June 2023:

	For the six months ended 30 June 2023		
	As reported (RMB million)	Adjustments ² (RMB million)	Non-GAAP (RMB million)
Revenue	344.2	–	344.2
Gross profit	144.7	52.3	197.0
Gross profit margin	42.0%	N/A	57.2%
Operating profit	13.3	5.8	19.1
Operating profit margin	3.9%	N/A	5.5%

NOTES:

- The Group owns less than 50% of the share capital of certain operating entities in its professional sports segment and they are accounted for as associates of the Group. As a result, according to the applicable HKFRS, while the Group shall consolidate the results of its subsidiaries on a line-by-line basis, the Group can only recognize the share of results from its associates in its consolidated financial statements through equity method of accounting.

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

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

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

Net Finance Costs

For the six months ended 30 June 2024, the Group's net finance costs decreased to RMB64.1 million from RMB74.4 million in the same period of 2023. This decrease was primarily due to lower interest expenses on bank loans, which amounted to RMB42.4 million (2023: RMB44.1 million). The reduction in interest expenses was driven by a lower borrowing balance and a decrease in interest rate resulting from a strategic shift from HK\$-denominated loans (higher interest rate) to RMB-denominated loans (lower interest rate) offset the higher HIBOR compared to last year. Additionally, higher interest income, which increased to RMB16.1 million (2023: RMB12.7 million), was due to a higher average bank balance during the period. Furthermore, there were no fair value losses on derivative instruments this period (2023: RMB5.4 million).

Income Tax Expenses

For the six months ended 30 June 2024, the Group incurred an income tax expense of RMB294.1 million, representing an increase of RMB47.9 million or 19.4% compared to RMB246.3 million in the same period of 2023. The effective tax rate for the period was 28.1%, which is higher than the effective tax rate of 26.8% in the corresponding period last year. The increase in effective tax rate was primarily driven by higher taxable income resulting from improved operational performance and higher losses from the Athleisure Segment.

Profit Attributable to Ordinary Equity Holders and Net Profit Margin

For the six months ended 30 June 2024, the Group's net profit attributable to equity holders was RMB752.1 million, representing an increase of RMB86.6 million or 13.0% compared to RMB665.4 million in the same period of 2023. The net profit margin improved to 10.4%, up from 10.2% in the previous period. This increase in net profit and margin was mainly attributed to higher operating profit driven by revenue growth and effective cost management across the Group, offset slightly by the increase in income tax expenses.

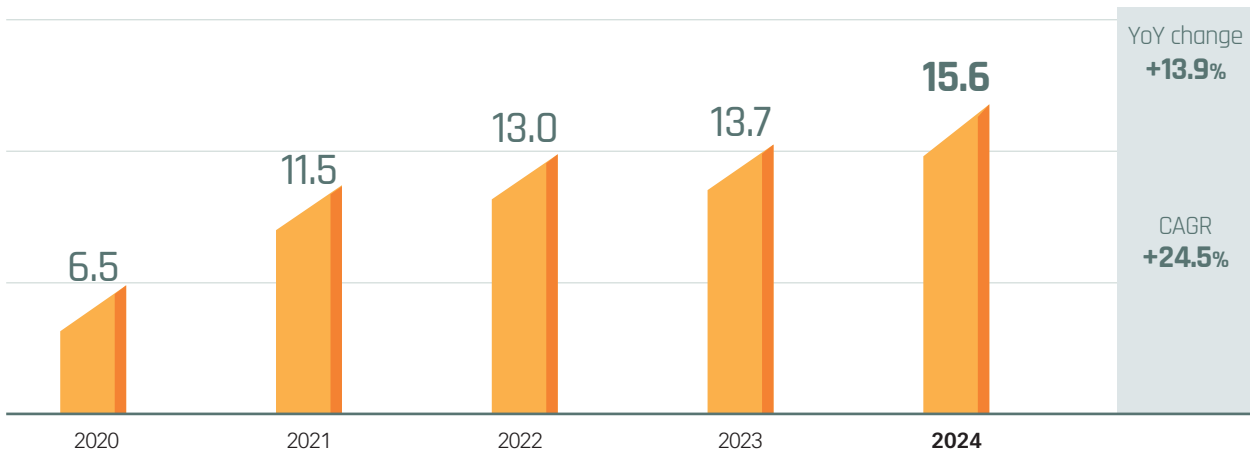
Dividend

The Board continued to maintain high shareholders' dividend returns and has therefore resolved to distribute an interim dividend of HK15.6 cents per share (2023: HK13.7 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)



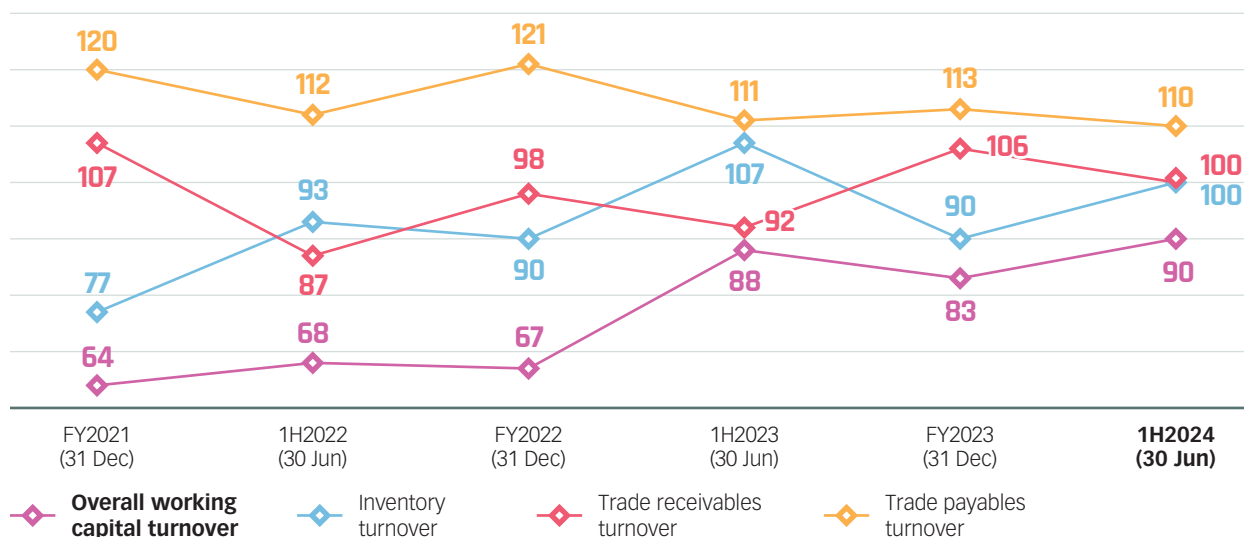
Over the past five years, the Group has consistently maintained a high dividend payout ratio of no less than 50%, demonstrating our focus on providing substantial returns to our shareholders. This strong dividend payout ratio is supported by our robust financial performance and efficient cash flow management, ensuring that dividends are both sustainable and attractive to income investors. It also signals our confidence in the company's financial health and our commitment to returning profits to shareholders while balancing reinvestment for future growth.

Cash Conversion Cycle

For the period, the Group’s rolling overall working capital turnover days was 90 days (2023: 88 days).

WORKING CAPITAL TURNOVER

(Days)



For the six months ended 30 June

WORKING CAPITAL TURNOVER DAYS	2024 Days	2023 Days	Changes Days
Inventories turnover days	100	107	(7)
Trade receivables turnover days	100	92	8
Trade payables turnover days	110	111	(1)
Overall working capital turnover days	90	88	2

Working Capital Turnover Days

For the six months ended 30 June 2024, the Group’s working capital turnover days remained relatively stable:

- Inventories turnover days decreased by 7 days to 100 days (2023: 107 days).
- Trade receivables turnover days increased by 8 days to 100 days (2023: 92 days).
- Trade payables turnover days decreased by 1 day to 110 days (2023: 111 days).

Despite these individual fluctuations, the overall working capital turnover days remained stable at 90 days (2023: 88 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 divided by costs of sales and multiplied by 365 days (or 366 days in 2020 and 2024).

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

Full year trade payables turnover days is equal to the average of opening and closing trade payables divided by cost of sales and multiplied by 365 days (or 366 days in 2020 and 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 divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 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 divided by revenue during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 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 divided by costs of sales during the corresponding period and multiplied by 365 days (or 366 days in 2020 and 2024).

Liquidity and Capital Resources

As of 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB3,660.1 million (31 December 2023: RMB3,294.6 million), representing an increase of approximately RMB365.5 million. The increase in the Group's cash and cash equivalents is summarized as follows:

	Six months ended 30 June	
	2024 RMB million	2023 RMB million
Cash generated from operating activities	1,096.7	559.6
Income tax paid	(226.7)	(244.3)
Net interest expenses paid	(43.6)	(50.0)
Net cash flows from operating activities	826.4	265.3
(Increase)/Decrease in term deposits	(200.0)	200.3
Increase in structured bank deposits	(200.0)	–
Decrease in pledged bank deposits	861.7	131.2
Increase in investment in associates	(26.3)	(19.8)
Increase in property, plant and equipment	(118.8)	(40.9)
Decrease/(Increase) in deposits paid for the acquisition of property, plant and equipment	1.1	(144.7)
Dividends paid	(177.5)	–
Net repayment of bank borrowings	(609.6)	(73.5)
Others	8.5	(1.3)
Net increase in cash and cash equivalents	365.5	316.6

Net cash flows from operating activities

For the six months ended 30 June 2024, the Group's net cash flows from operating activities increased to RMB826.4 million, compared to RMB265.3 million for the same period in 2023. This improvement reflects our ongoing efforts to enhance operational efficiency and optimize working capital management.

The net profit for the period ended 30 June 2024 was RMB752.1 million, an increase from RMB671.2 million in the corresponding period in 2023. Despite the rise in net profit, our operating cash flow has outpaced this growth, resulting in a strong cash conversion ratio of 1.10 for the first half of 2024, compared to 0.40 in the first half of 2023. This indicates our improved ability to convert profits into cash, underscoring the strength and sustainability of our operational performance.

As of 30 June 2024, the Group's net cash and cash equivalents (including term deposits, structured bank deposits and pledged bank deposits minus bank borrowings and convertible bonds) were approximately RMB1,413.9 million, compared to RMB932.1 million as at 31 December 2023. The breakdown is as follows:

	30 June 2024 RMB million	31 December 2023 RMB million
Cash and cash equivalents	3,660.1	3,294.6
Bank deposits	700.0	1,161.7
Total bank deposits and bank balances	4,360.1	4,456.3
Less: Bank borrowings	(2,047.3)	(2,645.0)
Less: Convertible bonds	(898.9)	(879.2)
Net cash and cash equivalents	1,413.9	932.1

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

As of 30 June 2024, the Group's total assets amounted to RMB17,532.0 million (31 December 2023: RMB17,325.5 million), comprising non-current assets of RMB5,335.0 million and current assets of RMB12,197.0 million. Total liabilities stood at RMB8,090.8 million (31 December 2023: RMB8,402.2 million), with non-current liabilities of RMB1,893.8 million and current liabilities of RMB6,197.0 million.

The Group's total equity was RMB9,441.2 million, up from RMB8,923.3 million as of 31 December 2023. The Group's current ratio, calculated as current assets divided by current liabilities, stood at 2.0x (31 December 2023: 1.9x), 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 16.8% as of 30 June 2024 (31 December 2023: 20.3%).

Commitments

Details of the Group's commitments are stated in note 26 of the interim financial information.

Contingent Liabilities

As of 30 June 2024, the Group did not have any material contingent liabilities.

Charge of Assets

Save as disclosed in notes 16 and 20 of 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 2024.

Foreign Currency Risks

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

Interest Rate Risks

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

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

During the reporting period, the MS (China) Sports Company Limited, a direct wholly-owned subsidiary of the Group, completed acquiring Wolverine Group's interests in certain joint venture entities in Merrell and Saucony brands and their subsidiaries. The acquisitions were completed on 1 January 2024 and are detailed as follows:

- **Acquisition of 51% equity interests in Merrell Brand Operations Limited and Saucony Brand Operations Limited and their subsidiaries:** The Group acquired these interests for a total cash consideration of US\$14.0 million (equivalent to RMB99.4 million). Consequently, the aforementioned associates have become wholly owned subsidiaries of the Group.
- **Acquisition of 49% equity interests in Merrell Distribution Operations Limited and Saucony Distribution Operations Limited and their subsidiaries:** This acquisition was made for a total cash consideration of US\$8.0 million (equivalent to RMB56.3 million). As a result, the aforementioned subsidiaries became wholly owned subsidiaries of the Group.

As a result, the agreements constituting the joint ventures were terminated.

On 9 May 2024 the Company and Ding Shun Investment Limited (which is owned as to 67%, 21% and 12% by Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong respectively) entered into a share purchase agreement pursuant to which the Company has conditionally agreed to sell, and Ding Shun Investment Limited has conditionally agreed to acquire, all the issued share capital of KP Global Investment Limited (a wholly owned subsidiary of the Company which owns the business of K-SWISS and Palladium) at the consideration of US\$151,000,000. The completion of the aforesaid disposal is subject to approval by the shareholders of the Company. Please refer to the announcement of the Company dated 9 May 2024 and the circular dated 2 August 2024 for further details of the aforesaid disposal and the related transactions.

Human Resources

As of 30 June 2024, the Group had approximately 9,300 employees (31 December 2023: 9,100 employees), of which 57.2% was production employees (31 December 2023: 56.8%). The Group provides introductory orientation programs and continuous training to its employees. Topics covered included industry knowledge, technology and product knowledge, industry quality standards and work safety standards to enhance the service quality and standards of our staff. The Group will strive to strengthen human resources management to provide strong support for the development of its business through staff recruitment initiatives, optimization of the organizational structure and promotion of our corporate culture to ensure that it can maintain sustainable development in the future.

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 three 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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2024, 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⁾	1,302,037,000	49.24%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust ⁽²⁾ / Beneficial interests ⁽⁴⁾	1,232,059,500	46.59%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust ⁽²⁾ / Beneficial interests ⁽⁵⁾	1,232,859,500	46.62%
Mr. Tan Wee Seng	Beneficial interests ⁽⁶⁾	283,068	0.01%

Notes:

- (1) It was based on 2,644,517,925 issued Shares of the Company as at 30 June 2024.
- (2) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts.

The Family Trusts (through their controlled companies) indirectly hold 1,230,059,500 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 1,230,059,500 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 2,000,000 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 3,068 of these Shares were received by Mr. Tan by way of scrip dividends for the 2020 final dividend.

Saved as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which had been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which had been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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 2024, 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	1,230,059,500	46.51%
Wan Xing International Holdings Limited	Interests of controlled corporation ⁽²⁾	1,230,059,500	46.51%
Ding Wang Fortune Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.51%
Guan Hong Development Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.51%
Ming Zhong Family Limited	Interests of controlled corporation ⁽³⁾	1,230,059,500	46.51%
UBS Trustees (BVI) Limited	Trustee ⁽³⁾	1,230,059,500	46.51%
GSUM IV Holdings Limited	Beneficial interests ⁽⁴⁾	169,684,196	6.42%
Hillhouse Focused Growth Fund V, L.P.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.42%
Hillhouse Investment Management, Ltd.	Interests of controlled corporation ⁽⁴⁾	169,684,196	6.42%

Notes:

- (1) It was based on 2,644,517,925 issued Shares of the Company as at 30 June 2024.
- (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.

Save as disclosed above, as at 30 June 2024, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE AWARD SCHEME

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

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

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

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

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

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

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

Since the Adoption Date and up to the date of expiry of the Share Award Scheme, a total of 125,000,000 Awarded Shares had been awarded under the Share Award Scheme, representing about 4.73% of the number of Shares in issue as of the date of expiry of the Share Award Scheme. None of the grantees of the Awarded Shares is a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them.

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

Date	Number of Shares available for being further awarded	Percentage of the then issued share capital of the Company
1 January 2024	7,072,860	0.27%
30 June 2024	7,225,896	0.27%
Date of this report	–	–

As of 30 June 2024, there were a total of 43,695,000 outstanding Awarded Shares, details of which are as follows:

Name or category of grantees	Date of grant	Vesting period	Number of Awarded Shares					Outstanding as at 30 June 2024
			Outstanding as at 1 January 2024	Granted during the period	Vested during the period	Forfeited during the period	Lapsed during the period	
Employees	19 March 2021	Note 1	66,324,000	–	(9,596,800) ²	(13,032,200)	–	43,695,000

Notes:

- 9,596,800 Awarded Shares were vested on 31 March 2024 and 13,032,200 Awarded Shares were forfeited by the relevant selected participants on 31 March 2024. The remaining 11,652,000, 11,652,000 and 20,391,000 Awarded Shares were scheduled to be vested on 31 March 2025, 31 March 2026 and 31 March 2027, respectively.
- No purchase price was paid upon vesting. The weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested during the period is HK\$4.85.

Further details of the Share Award Scheme are set out in note 24 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 "Facility Agreement") with a consortium of six banks which is arranged by 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 "Facility") was made available to the Company on the terms and conditions stated therein.

The Facility is guaranteed by certain subsidiaries of the Company.

It is provided in the 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 Facility whereupon the whole or relevant part of the Facility shall immediately be cancelled; (b) declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and related documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or (c) declare that all or part of the Facility be payable on demand, whereupon they shall immediately become payable on demand by HASE on the instructions of the majority lenders.

As at 30 June 2024 and as at the date of this report, Mr. Ding Shui Po was an executive Director, the chairman and a controlling shareholder of the Company. Each of Ms. Ding Mei Qing and Mr. Ding Ming Zhong was an executive Director and a controlling shareholder of the Company. The Family Trusts collectively held indirectly approximately 46.51% of the issued share capital of the Company. Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong also had personal beneficial interests in approximately 2.72%, 0.08% and 0.11% of the issued share capital of the Company respectively.



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 46 to 81, which comprise the condensed consolidated statement of financial position of Xtep International Holdings Limited and its subsidiaries as at 30 June 2024, 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") 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* 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

20 August 2024

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	7,203,158	6,522,437
Cost of sales		(3,888,855)	(3,725,294)
Gross profit		3,314,303	2,797,143
Other income and gains, net	5	274,509	336,040
Selling and distribution expenses		(1,692,328)	(1,510,268)
General and administrative expenses		(802,390)	(636,308)
Operating profit	6	1,094,094	986,607
Net finance costs	7	(64,067)	(74,356)
Share of profits of associates		16,173	5,199
PROFIT BEFORE TAX		1,046,200	917,450
Income tax expense	8	(294,135)	(246,253)
PROFIT FOR THE PERIOD		752,065	671,197
Attributable to:			
Ordinary equity holders of the Company		752,065	665,417
Non-controlling interests		–	5,780
		752,065	671,197
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		RMB29.66 cents	RMB26.36 cents
Diluted		RMB29.18 cents	RMB25.72 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	752,065	671,197
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Chinese Mainland	(25,009)	(96,664)
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	3,602	75,222
Equity investments designated at fair value through other comprehensive income	33,900	(17,800)
Income tax effect	(5,085)	2,670
	28,815	(15,130)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	32,417	60,092
Other comprehensive income/(expense) for the period, net of tax	7,408	(36,572)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	759,473	634,625
Attributable to:		
Ordinary equity holders of the Company	759,473	628,298
Non-controlling interests	–	6,327
	759,473	634,625

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		1,655,117	1,592,157
Investment properties		12,472	16,646
Right-of-use assets		793,642	817,541
Goodwill		848,694	842,164
Intangible assets		722,039	723,345
Investments in associates		431,553	494,806
Equity investments designated at fair value through other comprehensive income	14	290,465	256,565
Prepayment, deposits and other asset	13	81,006	237,799
Term deposits	16	500,000	300,000
Total non-current assets		5,334,988	5,281,023
CURRENT ASSETS			
Inventories	11	2,198,706	1,793,774
Trade receivables	12	4,419,650	4,518,401
Bills receivable	12	420,000	457,000
Prepayments, deposits, other receivables and other asset	13	1,291,440	1,111,845
Derivative financial instruments	19	7,129	7,078
Structured bank deposits	15	200,000	–
Pledged bank deposits	16	–	861,722
Cash and cash equivalents	16	3,660,078	3,294,627
Total current assets		12,197,003	12,044,447
CURRENT LIABILITIES			
Trade payables	17	2,792,059	2,430,501
Bills payable		50,000	100,000
Other payables and accruals	18	1,545,791	1,665,057
Interest-bearing bank borrowings	20	515,102	953,584
Lease liabilities		145,340	144,359
Deferred subsidies		577	577
Xtep Convertible Bonds	21	432,659	418,791
K-Swiss Convertible Bonds	22	466,273	460,424
Derivative financial instruments	19	80,259	74,805
Tax payable		168,903	62,968
Total current liabilities		6,196,963	6,311,066
NET CURRENT ASSETS		6,000,040	5,733,381
TOTAL ASSETS LESS CURRENT LIABILITIES		11,335,028	11,014,404

30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited) (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	20	1,532,148	1,691,366
Lease liabilities		126,437	133,744
Deferred tax liabilities		210,619	242,878
Deferred subsidies		18,894	19,183
Other liabilities		5,745	3,947
Total non-current liabilities		1,893,843	2,091,118
NET ASSETS			
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	23	23,219	23,191
Treasury shares		(293,881)	(282,991)
Equity component of convertible bonds	21	26,460	26,460
Other reserves		9,685,387	9,095,906
Non-controlling interests		9,441,185	8,862,566
		–	60,720
Total equity		9,441,185	8,923,286

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2024

Six months ended 30 June 2024 (Unaudited)

Note	Attributable to ordinary equity holders of the Company											
	Equity component										Total equity	
	Share capital	Treasury shares	convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Exchange fluctuation reserve	Fair value reserve	Retained profits	Non-controlling interests		
RMB'000	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

* These reserve accounts comprise the consolidated other reserves of RMB9,685,387,000 (31 December 2023: RMB9,095,906,000) in the interim condensed consolidated statement of financial position.

Six months ended 30 June 2024

Six months ended 30 June 2023 (Unaudited)

	Attributable to ordinary equity holders of the Company													
	Note	Equity component of											Non-controlling interests	Total equity
		Share capital	Treasury shares	convertible bonds	Share premium account	Capital reserve	Statutory surplus fund	Share award reserve	Exchange fluctuation reserve	Fair value reserve	Retained profits			
RMB'000	RMB'000	RMB'000	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 2023 (audited)		23,147	(311,889)	26,460	2,016,158	118,615	1,304,344	38	(145,211)	86,075	5,126,420	62,545	8,306,702	
Profit for the period		-	-	-	-	-	-	-	-	-	665,417	5,780	671,197	
Other comprehensive income/(expense) for the period		-	-	-	-	-	-	-	(21,989)	(15,130)	-	547	(36,572)	
Total comprehensive income/(expense) for the period		-	-	-	-	-	-	-	(21,989)	(15,130)	665,417	6,327	634,625	
2022 final dividend declared	9(b)	-	-	-	-	-	-	-	-	-	(169,644)	-	(169,644)	
Deemed acquisition of a non-controlling interest		-	-	-	-	-	-	-	-	-	(256)	256	-	
Transfer to statutory surplus fund		-	-	-	-	-	55,794	-	-	-	(55,794)	-	-	
Equity-settled share award arrangement		-	24,413	-	-	-	-	-	-	-	-	-	24,413	
Vesting of awarded shares		-	2,493	-	-	-	-	(38)	-	-	(2,455)	-	-	
Dividend for treasury shares		-	-	-	-	-	-	-	-	-	1,390	-	1,390	
At 30 June 2023 (unaudited)		23,147	(284,983)	26,460	2,016,158	118,615	1,360,138	-	(167,200)	70,945	5,565,078	69,128	8,797,486	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Operating activities:		
Cash from operations	1,096,695	559,544
Income tax paid	(226,650)	(244,302)
Net interest expenses paid	(43,644)	(49,989)
NET CASH FLOWS FROM OPERATING ACTIVITIES	826,401	265,253
NET CASH FLOWS FROM INVESTING ACTIVITIES⁽ⁱ⁾	433,669	189,303
NET CASH FLOWS USED IN FINANCING ACTIVITIES⁽ⁱⁱ⁾	(896,587)	(141,465)
NET INCREASE IN CASH AND CASH EQUIVALENTS	363,483	313,091
Cash and cash equivalents at beginning of period	3,294,627	3,414,156
Effect of foreign exchange rate changes, net	1,968	3,553
Cash and cash equivalents at end of period	3,660,078	3,730,800
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	3,660,078	3,730,800

The accompanying notes form part of this interim condensed consolidated financial information.

- (i) Net cash flows from 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 RMB24,294,000 (2023: RMB38,471,000), decrease in pledged bank deposits of RMB861,722,000 (2023: RMB131,171,000), increase in investment in an associate of RMB26,258,000 (2023: RMB19,800,000), net cash received from acquisition of subsidiaries of RMB84,547,000 (2023: Nil) and acquisition of items of property, plant and equipment of RMB118,832,000 (2023: RMB40,854,000), decrease in deposit paid for the acquisition of property, plant and equipment of RMB1,074,000 (2023: increase in deposit paid for the acquisition of property, plant and equipment of RMB144,745,000), proceeds from disposal of investment properties of RMB12,940,000 (2023: RMB26,545,000), increase in structured bank deposits of RMB200,000,000 (2023: Nil) and increase in term deposits of RMB200,000,000 (2023: net decrease in term deposits of RMB200,349,000).
- (ii) Net cash flows used in financing activities for the reporting period mainly included the dividends paid to ordinary equity holder of the Company of RMB177,536,000 (2023: Nil) apart from scrip in lieu of cash, net repayment of bank borrowings of RMB609,641,000 (2023: RMB73,534,000) and principal elements of lease payments of RMB90,633,000 (2023: RMB61,039,000).

30 June 2024

1. CORPORATE AND GROUP INFORMATION

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

During the 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” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix D2 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 2023.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for bills receivables, financial assets at fair value through profit or loss (“FVPL”), financial assets at fair value through other comprehensive income (“FVOCI”), derivative financial instruments, structured bank deposits and financial liability at fair value through profit or loss 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 2023 except for the adoption of the revised HKFRSs as further detailed in note 2.2 below.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

Other than as explained below regarding the impact of amendments to HKAS 1, other revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information. The nature and impact of the amendment to HKAS 1 are described below:

30 June 2024

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 Changes in accounting policies and disclosures (Continued)

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

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 upon initial application of the amendments. As at 1 January 2023 and 2024, the Group had convertible bonds in an aggregate principal amount of US\$65,000,000 with zero coupon (the “K-Swiss Convertible Bonds”), which are convertible at the option of the holder into a subsidiary’s ordinary shares at any time on or after the issuance date. Prior to the initial application of the amendments, the K-Swiss Convertible Bonds were classified as non-current liabilities. Upon initial application of the amendments, the K-Swiss Convertible Bonds were reclassified to current liabilities since the conversion options were not classified as equity and are exercisable at any time at the bondholder’s option. The quantitative impact on the interim condensed consolidated statement of financial position is summarised below.

	Increase/(decrease)		
	As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000	As at 1 January 2023 RMB'000
CURRENT LIABILITIES			
K-Swiss Convertible Bonds	466,273	460,424	419,537
Total current liabilities	466,273	460,424	419,537
NET CURRENT ASSETS	(466,273)	(460,424)	(419,537)
NON-CURRENT LIABILITIES			
K-Swiss Convertible Bonds	(466,273)	(460,424)	(419,537)
Total non-current liabilities	(466,273)	(460,424)	(419,537)

The adoption of the amendments did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the Company, profit or loss, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2024 and 2023.

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 2023.

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 three reportable operating segments as follows:

- (a) mass market segment, including signature brand, Xtep;
- (b) athleisure segment, including signature brands, mainly K-Swiss and Palladium; and
- (c) professional sports segment, including signature brands, Saucony and Merrell.

Management monitors the results of the Group's operating segments 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. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that share of profits of associates, bank interest income, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude derivative financial instruments, structured bank deposits, pledged bank deposits, term deposits, equity investments designated at fair value through other comprehensive income 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.

30 June 2024

4. OPERATING SEGMENT INFORMATION (Continued)

The operating segment information for the six months ended 30 June 2024 and 2023 are as follows:

Six months ended 30 June 2024	Mass market RMB'000 (Unaudited)	Athleisure RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)				
Sales to external customers	5,789,162	821,473	592,523	7,203,158
Segment results	1,190,277	(99,194)	23,345	1,114,428
Share of profits of associates	6,494	–	9,679	16,173
Bank interest income				16,059
Finance costs, net				(80,126)
Corporate and other unallocated expenses				(20,334)
Profit before tax				1,046,200
Six months ended 30 June 2023	Mass market RMB'000 (Unaudited)	Athleisure RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue (note 5)				
Sales to external customers	5,429,670	748,588	344,179	6,522,437
Segment results	1,106,346	(66,320)	13,298	1,053,324
Share of profits of associates	2,665	–	2,534	5,199
Bank interest income				12,716
Finance costs, net				(87,072)
Corporate and other unallocated expenses				(66,717)
Profit before tax				917,450

30 June 2024

4. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023, respectively.

	Mass market RMB'000 (Unaudited)	Athleisure RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
30 June 2024				
Segment assets	12,212,446	2,845,678	767,909	15,826,033
Corporate and other unallocated assets				1,705,958
Total assets				17,531,991
Segment liabilities	3,700,523	549,855	377,984	4,628,362
Corporate and other unallocated liabilities				3,462,444
Total liabilities				8,090,806
31 December 2023				
Segment assets	12,029,364	2,812,842	319,671	15,161,877
Corporate and other unallocated assets				2,163,593
Total assets				17,325,470
Segment liabilities	3,591,125	635,918	211,635	4,438,678
Corporate and other unallocated liabilities				3,963,506
Total liabilities				8,402,184

30 June 2024

5. REVENUE, OTHER INCOME AND GAINS, NET

An analysis of revenue and other income and gains, net is as follows:

(i) Revenue

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Product categories		
Footwear	4,445,964	3,889,290
Apparel	2,604,966	2,496,985
Accessories	152,228	136,162
	7,203,158	6,522,437

(ii) Other income and gains, net

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Government grants*	207,296	229,683
Rental income	9,152	8,133
Royalty income	31,719	37,703
Income derived from financial assets at FVPL, term deposits and structured bank deposits	24,294	38,471
Dividend income derived from an equity investment designated at FVOCI	–	11,438
Fair value loss on the derivative component of Xtep Convertible Bonds	(4,896)	(2,022)
Fair value loss on K-Swiss Convertible Bonds	(2,536)	(21,777)
Gain on disposal of property, plant and equipment, net	–	937
Gain on bargain purchase (note 25)	4,973	–
Others	4,507	33,474
	274,509	336,040

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

6. OPERATING PROFIT

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Advertising and promotional costs	960,161	858,939
Impairment/(write-back of impairment) of trade receivables, net	3,208	(4,568)
Provision/(write-back of provision) for inventories	43,807	(20,235)
Research and development costs*	158,417	175,210
Depreciation of property, plant and equipment	64,254	57,987
Depreciation of right-of-use assets	104,931	72,175
Amortisation of intangible assets	8,405	7,710
Staff costs	775,859	652,769
Gain on disposal of investment properties	(9,825)	(20,001)
Equity-settled share award scheme expense, net	(7,410)	24,413

* The research and development costs for the six months ended 30 June 2024 included RMB90,205,978 (six months ended 30 June 2023: RMB75,458,583) 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 is as follows:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest expense on bank loans	42,351	44,130
Interest expense on discounted bills receivables	17,352	18,575
Interest expense on Xtep Convertible Bonds	10,818	10,044
Interest expense on lease liabilities	6,708	6,374
Amortisation of bank charges on syndicated loans	2,897	2,543
Fair value loss, net:		
Derivative instruments — transactions not qualified as hedges	—	5,406
Bank interest income	(16,059)	(12,716)
	64,067	74,356

30 June 2024

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 2024 (six months ended 30 June 2023: 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current tax — Overseas		
Charge for the period	257,143	232,603
Under/(over)-provision in prior periods	3,576	(2,961)
	260,719	229,642
Deferred tax	33,416	16,611
	294,135	246,253

9. DIVIDENDS

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interim dividend — HK15.6 cents (six months ended 30 June 2023: HK13.7 cents) per ordinary share	376,341	332,736

At the board meeting held on 20 August 2024, the board of directors declared and approved an interim dividend of HK15.6 cents (equivalent to approximately RMB14.2 cents) per ordinary share, totalling approximately HK\$412,545,000 (equivalent to approximately RMB376,341,000), for the six months ended 30 June 2024. 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.

At the board meeting held on 23 August 2023, the board of directors declared and approved an interim dividend of HK13.7 cents (equivalent to approximately RMB12.6 cents) per ordinary share, totalling approximately HK\$361,473,000 (equivalent to approximately RMB332,736,000), for the six months ended 30 June 2023. The interim dividend was payable in cash with a scrip dividend alternative. This interim dividend had not been recognised as a liability in the interim condensed consolidated financial information.

- (b) Dividends paid/payable to ordinary equity holders of the Company during the period:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Final dividends in respect of the financial years ended: 31 December 2023 — HK\$8.0 cents (paid) (2022 — HK\$7.1 cents (payable)) per ordinary share	185,441	169,644

30 June 2024

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

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB752,065,000 (six months ended 30 June 2023: RMB665,417,000) and the weighted average number of 2,535,459,682 (six months ended 30 June 2023: 2,524,391,519) ordinary shares in issue during the period as adjusted to reflect the number of treasury shares held under the share award scheme of the Company.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2024 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 in issue 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 K-Swiss Convertible Bonds have an anti-dilutive effect on the basic earnings per share amounts presented during the period ended 30 June 2024 because the diluted earnings per share increased when K-Swiss Convertible Bonds were taken into considerations.

The calculations of diluted earnings per share are based on:

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit attributable to owners of the Company, used in the basic earnings per share calculation	752,065	665,417
Add: Fair value loss on Xtep Convertible Bonds	4,896	2,022
Add: Interest expense on Xtep Convertible Bonds	10,818	10,044
Earnings for the purpose of diluted earnings per share	767,779	677,483

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

(b) Diluted earnings per share (Continued)

	Number of shares Six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Weighted average number of ordinary shares as used in the basic earnings per share calculation	2,535,459,682	2,524,391,519
Effect of dilution — weighted average number of ordinary shares:		
— Share awards	41,728,378	57,924,243
— Xtep Convertible Bonds	54,078,233	51,750,976
Weighted average number of ordinary shares	2,631,266,293	2,634,066,738

11. INVENTORIES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Raw materials	57,706	49,152
Work in progress	245,577	133,416
Finished goods	2,029,651	1,693,820
Less: Provision for inventories	2,332,934 (134,228)	1,876,388 (82,614)
Total	2,198,706	1,793,774

30 June 2024

12. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables		4,842,471	4,938,121
Less: Impairment of trade receivables		(422,821)	(419,720)
Total	(a)	4,419,650	4,518,401
Bills receivables	(b)	420,000	457,000

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three to four months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a number of diversified customers and there is certain concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes:

- (a) 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	2,386,004	3,213,558
3 to 6 months	1,327,011	947,903
6 to 9 months	438,140	156,568
Over 9 months	268,495	200,372
	4,419,650	4,518,401

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	20,000	200,000
3 to 6 months	400,000	257,000
	420,000	457,000

30 June 2024

13. PREPAYMENTS, DEPOSITS, OTHER RECEIVABLES AND OTHER ASSET

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Prepayments to contracted manufacturers		174,783	185,385
Prepayments for acquisition of Merrell Brand and Saucony Brand (note 25)		–	99,400
Prepayments for acquisition of non-controlling interests		–	56,319
Deposits and advance payments to suppliers		311,138	344,839
Deposits and advance payments to subcontractors		481,192	205,299
Right-of-return assets		6,746	6,898
Other asset		65,010	65,010
Other deposits		82,710	83,734
Value added tax ("VAT") recoverable		175,568	236,381
Other receivables	(a)	75,299	66,379
Total		1,372,446	1,349,644
Less: Non-current portion prepayments, deposits and other assets		(81,006)	(237,799)
Current Portion		1,291,440	1,111,845

Note:

- (a) Included in the other receivables were amounts due from the associates of RMB2,600,000, which were repayable on demand as at 31 December 2023.

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

	RMB'000
At 1 January 2024 (audited)	256,565
Changes in fair values	33,900
At 30 June 2024 (unaudited)	290,465

As at 30 June 2024, the Group held three unlisted investments with fair values of RMB253,500,000 (31 December 2023: RMB221,400,000), RMB17,000,000 (31 December 2023: RMB15,200,000) and RMB19,965,000 (31 December 2023: RMB19,965,000), representing 5%, 11% and 0.3% (31 December 2023: 5%, 11% and 0.3%) equity interests in three corporate entities, which were established in the PRC on 22 December 2014, 22 October 2012 and 28 August 1998.

30 June 2024

15. STRUCTURED BANK DEPOSITS

The structured bank deposits are wealth management products issued by a bank in Chinese Mainland with fixed maturity periods of two months and bear interest at 1.5% plus floating rates based on the fluctuation in the morning Shanghai Gold Benchmark Price. They were classified as financial assets at fair value through profit or loss at 30 June 2024 as their contractual cash flows are not solely payments of principal and interest.

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

	Note	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Term deposits		500,000	300,000
Cash and bank balances		3,660,078	4,156,349
Total		4,160,078	4,456,349
Less: Pledged bank deposits for:			
— short-term bank loans	20	—	(861,722)
Term deposits		(500,000)	(300,000)
Cash and cash equivalents		3,660,078	3,294,627

At the end of the reporting period, the cash and bank balances and term deposits of the Group denominated in RMB amounted to RMB3,834,431,000 (31 December 2023: RMB4,321,062,000). RMB is not freely convertible into other currencies. However, under Chinese Mainland'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.

17. 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 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	2,487,773	2,107,287
3 to 6 months	125,385	183,989
Over 6 months	178,901	139,225
Total	2,792,059	2,430,501

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 RMB37,744,000 (31 December 2023: RMB69,774,000) which is repayable on demand.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities	206,677	179,558
Refund liabilities	12,469	13,419
Other payables	379,177	399,245
VAT payables	9,220	16,799
Accruals	938,248	1,056,036
Total	1,545,791	1,665,057

30 June 2024

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Derivative financial asset:			
— Call option	(a)	7,129	7,078
Derivative financial liability:			
— Xtep Convertible Bonds early redemption options	21	(80,259)	(74,805)

Note:

- (a) On 17 December 2023, the Group acquired 40% of ownership interest in Gemini Asia Saucony, LLC, a limited liability company incorporated under the laws of the State of Delaware of the United States of America. A joint venture agreement was entered into in relation to the management and operation of Gemini Asia Saucony, LLC ("Saucony Asia IP Holdco"). The Group paid US\$1,000,000 to acquire the options to purchase a further 35% or 60% ownership interest in Saucony Asia IP Holdco, in the event of global sale of the intellectual property of the Saucony brand or a change in control of Wolverine World Wide, Inc ("Wolverine").

30 June 2024

20. INTEREST-BEARING BANK BORROWINGS

	Notes	30 June 2024 (Unaudited)			31 December 2023 (Audited)		
		Effective interest rate per annum	Maturity	RMB'000	Effective interest rate per annum	Maturity	RMB'000
Current							
Revolving loans	(a)	-	-	-	Secured Overnight Financing Rate+1.2%, HIBOR+1.1% to HIBOR+1.2%	2024	903,923
Mortgage loans	(b)	5 year Loan Prime Rate ("LPR")-0.9% to 5 year LPR-0.8%	2024 to 2025	35,102	4.05% to 5 year LPR-0.9%	2024	34,661
Other bank loans	(c)	1 year LPR-1.05% to 1 year LPR-0.95%	2024 to 2025	480,000	1 year LPR-0.55% to 1 year LPR-0.45%	2024	15,000
Total current				515,102			953,584
Non-current							
Syndicated loans		HIBOR+1.45%	2027	906,459	HIBOR+1.45%	2027	898,927
Mortgage loans	(b)	5 year LPR-0.9% to 5 year LPR-0.8%	2025 to 2033	275,689	4.05% to 5 year LPR-0.9%	2025 to 2033	292,439
Other bank loans	(c)	1 year LRP-1.45% to 1 year LRP-0.92%	2025 to 2027	350,000	1 year LPR-1.15% To 1 year LRP-0.45%	2025 to 2026	500,000
Total non-current				1,532,148			1,691,366
Total				2,047,250			2,644,950

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Analysed into:		
Bank loans repayable:		
Within one year and on demand	515,102	953,584
In the second year	154,448	53,808
In the third to fifth years, inclusive	1,247,916	1,488,310
Beyond five years	129,784	149,248
	2,047,250	2,644,950

30 June 2024

20. INTEREST-BEARING BANK BORROWINGS (Continued)

Notes:

- (a) The revolving loans are supported by:
- (i) the pledge of certain of the Group's deposits amounting to RMB861,722,000 in aggregate as at 31 December 2023; and
 - (ii) corporate guarantees provided by wholly-owned subsidiaries of the Company to the extent of HK\$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,163,693,000 and RMB85,000,000, respectively) (31 December 2023: HK\$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,070,405,000 and RMB85,000,000, respectively)) as at the end of the reporting period.
- (b) The mortgage loans were supported by mortgage over buildings and respective leasehold lands under right-of-use assets of the Group with an aggregate carrying amount of RMB681,123,000 (31 December 2023: RMB662,826,000).
- (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 2023: 1,150,000,000).

21. XTEP CONVERTIBLE BONDS

The Xtep Convertible Bonds were issued on 9 September 2021. The movements of the liability component, equity component and embedded derivative of the Xtep Convertible Bonds during the six months ended 30 June 2024 are as follows:

	Liability component RMB'000	Equity component RMB'000	Embedded derivative RMB'000
At 1 January 2024 (audited)	418,791	26,460	74,805
Interest expense (note 7)	10,818	–	–
Fair value loss (note 5)	–	–	4,896
Exchange difference	3,050	–	558
At 30 June 2024 (unaudited)	432,659	26,460	80,259

22. K-SWISS CONVERTIBLE BONDS

The K-Swiss Convertible Bonds were issued on 9 September 2021. The movement of the K-Swiss Convertible Bonds during the six months ended 30 June 2024 is as follows:

	RMB'000
At 1 January 2024 (audited)	460,424
Fair value loss (note 5)	2,536
Exchange difference	3,313
At 30 June 2024 (unaudited)	466,273

23. SHARE CAPITAL**At 30 June 2024**

	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: 2,644,517,925 ordinary shares of HK\$0.01 each	26,445	23,219

At 31 December 2023

	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: 2,641,457,207 ordinary shares of HK\$0.01 each	26,415	23,191

24. SHARE AWARD SCHEME

On 1 August 2014, the board of directors of the Company (the "Board") has adopted a share award scheme as a mean to recognise the contributions by the key management personnel and to give incentives in order to retain them for their continual operation and development and to attract suitable personnel for further development of the Group (the "Share Award Scheme").

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

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

30 June 2024

24. SHARE AWARD SCHEME (Continued)

Details of the outstanding Awarded Shares as at 30 June 2024 are as follows:

Grant date	Number of Awarded Shares to vest	Vesting period	Fair value at grant date HK\$ per share
19 March 2021	11,652,000	19 March 2021 to 31 March 2025	3.39
19 March 2021	11,652,000	19 March 2021 to 31 March 2026	3.23
19 March 2021	20,391,000	19 March 2021 to 31 March 2027	3.06

25. BUSINESS COMBINATIONS

Acquisition of 51% equity interests in Merrell Brand Operation Limited (“Merrell Brand”) and Saucony Brand Operation Limited (“Saucony Brand”) and their subsidiaries

On 17 December 2023, the Group entered into agreements with Wolverine and certain of its subsidiaries, pursuant to the agreements, the Group acquired remaining 51% equity interests in Merrell Brand and Saucony Brand at cash consideration of US\$3,000,000 (equivalent to RMB21,300,000) and US\$11,000,000 (equivalent to RMB78,100,000), respectively. As a result, the aforesaid associates have become wholly owned subsidiaries of the Group. The acquisition was completed on 1 January 2024. The considerations of RMB99,400,000 in aggregate were paid during the year ended 31 December 2023.

- (a) The provisional fair value of the identifiable assets and liabilities of Merrell Brand and its subsidiaries at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	30
Right-of-use assets	595
Inventories	44,401
Prepayments, deposits and other receivables	21,750
Cash and cash equivalents	9,512
Trade payables	(30,678)
Lease liabilities	(626)
Other payables and accruals	(4,235)
Total identifiable net assets	40,749
Less: 49% equity interests in Merrell Brand before the acquisition	(19,967)
Goodwill	518
Cash consideration	21,300

25. BUSINESS COMBINATIONS (Continued)

Acquisition of 51% equity interests in Merrell Brand Operation Limited (“Merrell Brand”) and Saucony Brand Operation Limited (“Saucony Brand”) and their subsidiaries (Continued)

- (b) The provisional fair value of the identifiable assets and liabilities of Saucony Brand and its subsidiaries at the date of acquisition were as follows:

	RMB'000
Property, plant and equipment	7,485
Right-of-use assets	712
Inventories	156,065
Prepayments, deposits and other receivables	51,535
Cash and cash equivalents	75,035
Trade payables	(80,560)
Lease liabilities	(750)
Other payables and accruals	(46,634)
Total identifiable net assets	162,888
Less: 49% equity interests in Saucony Brand before the acquisition	(79,815)
Bargain purchase gain on acquisition	(4,973)
Cash consideration	78,100

Net cash outflow arising on acquisitions:

	RMB'000
Cash consideration paid	99,400
Add: Transaction costs	2,058
Less: Cash and cash equivalents	(84,547)
	16,911

30 June 2024

25. BUSINESS COMBINATIONS (Continued)

Acquisition of 51% equity interests in Merrell Brand Operation Limited (“Merrell Brand”) and Saucony Brand Operation Limited (“Saucony Brand”) and their subsidiaries (Continued)

The assessments of the fair values of the identifiable assets and liabilities of Merrell Brand and Saucony Brand and their subsidiaries are still undergoing and the information of the fair values of the identifiable assets and liabilities is provisional. The finalised information will be disclosed in the consolidated financial statements of the Group for the year ending 31 December 2024.

The provisional fair values of the other receivables of Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries as at the date of acquisition amounted to RMB17,258,000 and RMB36,794,000, respectively.

The Group incurred transaction costs of RMB2,058,000 for this acquisition. These transaction costs have been expensed and are included in general and administrative expenses in the interim condensed consolidated income statement.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries contributed net profit of RMB7,137,000 and net loss of RMB15,832,000, respectively, to the interim condensed consolidated profit for the six months period ended 30 June 2024. Merrell Brand and its subsidiaries and Saucony Brand and its subsidiaries contributed nil to the Group’s revenue for the six months period ended 30 June 2024.

26. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
In respect of:		
— construction of new buildings	511,287	476,668
— construction of new manufacturing facilities	358	477
— advertising and promotional expenses	300,445	104,902
— capital contribution of an associate	—	49,534
	812,090	631,581

27. 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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Rental payment	6,440	5,596
Depreciation of right-of-use assets	5,697	5,204
Interest expenses on lease liabilities	256	416
	As at	
	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Right-of-use assets	7,505	11,856
Lease liabilities	7,969	12,695

- (ii) During the six months ended 30 June 2024, royalty expense amounting to RMB37,744,000 (six months ended 30 June 2023: Nil) were payable by the Group to associates of the Group according to the product cost at 19% of mutually agreed terms.
- (iii) During the six months ended 30 June 2023, purchases amounting to RMB197,564,000 were made by the Group from associates of the Group according to the published prices and conditions offered by the associates to their major customers.

These transactions were entered into by the Group and its related companies in accordance with the terms of the respective agreements.

- (b) Outstanding balances with related parties:

Details of the Group's other receivable and trade payable balances with the associates are disclosed in notes 13 and 17 to the interim condensed consolidated financial information, respectively.

30 June 2024

28. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 30 June 2024, the Group discounted certain commercial bills receivable with a carrying amount in aggregate of approximately RMB923,500,000 (31 December 2023: RMB914,000,000) to a bank in the PRC (the "Derecognised Bills") for cash. The Derecognised Bills had a remaining maturity from approximately 57 days to 151 days (31 December 2023: 12 days to 158 days) at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC bank and/or the issuers of bills receivable default (the "Continuing Involvement"). According to the bank discounting 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 2024, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (six months ended 30 June 2023: Nil). No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The amount of bills receivable of RMB1,223,500,000 (six months ended 30 June 2023: RMB1,003,000,000) has been discounted during the six months ended 30 June 2024.

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, structured bank deposits, trade and bill receivables, trade and bills payables, financial assets included in other receivables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of non-current term deposits and 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 2024 were assessed to be insignificant. The fair values of non-current term deposits and 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.

29. 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 receivables and structured bank deposits 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 Xtep Convertible Bonds early redemption options and K-Swiss 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.

30 June 2024

29. 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, Xtep Convertible Bonds early redemption options and K-Swiss Convertible Bonds together with a quantitative sensitivity analysis as at 30 June 2024:

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 2024: 0.17x to 1.26x (31 December 2023: 0.19x to 1.25x)	5% (31 December 2023: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB13.5 million (31 December 2023: RMB11.8 million)
		Discount for lack of marketability ("DLOM")	30 June 2024: 20% (31 December 2023: 20%)	2.5% (31 December 2023: 2.5%) increase/decrease in DLOM would result in decrease/increase in fair value by RMB8.5 million (31 December 2023: RMB7.4 million)
Xtep Convertible Bonds early redemption option	Binomial model	Discount rate	30 June 2024: 7.0% (31 December 2023: 6.6%)	0.5% (31 December 2023: 0.5%) increase/decrease in multiple would result in increase in fair value by RMB5.8 million (31 December 2023: RMB7.0 million)/ decrease in fair value by RMB5.7 million (31 December 2023: RMB6.5 million)

29. 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
K-Swiss Convertible Bonds	Binomial model	Weighted average cost of capital ("WACC")	30 June 2024: 14.3% (31 December 2023: 14.5%)	0.5% (31 December 2023: 0.5%) increase/decrease in WACC would result in decrease in fair value by 8.5 million (31 December 2023: RMB14.9 million)/ increase in fair value by 7.3 million (31 December 2023: RMB21.4 million)
		Volatility	30 June 2024: 42.5% (31 December 2023: 41.5%)	0.5% (31 December 2023: 0.5%) increase/decrease in volatility would result in increase in fair value by value by RMB1.1 million (31 December 2023: RMB0.8 million)/ decrease in fair value by RMB1.6 million (31 December 2023: RMB0.8 million)
		Discount rate	30 June 2024: 12.0% (31 December 2023: 11.8%)	0.5% increase/decrease in discount rate would result in decrease in fair value by RMB6.3 million (31 December 2023: RMB4.8 million)/ increase in fair value by RMB5.5 million (31 December 2023: RMB 5.2 million)

30 June 2024

29. 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 2024

	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	–	7,129	–	7,129
Equity investments designated at FVOCI	–	–	290,465	290,465
Structured bank deposits	–	200,000	–	200,000
Bills receivables	–	420,000	–	420,000
	–	627,129	290,465	917,594

As at 31 December 2023

	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	–	7,078	–	7,078
Equity investments designated at FVOCI	–	–	256,565	256,565
Bills receivables	–	457,000	–	457,000
	–	464,078	256,565	720,643

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

Fair value hierarchy (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments: (Continued)

Liabilities measured at fair value:

As at 30 June 2024

	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	–	–	80,259	80,259
K-Swiss Convertible Bonds	–	–	466,273	466,273
	–	–	546,532	546,532

As at 31 December 2023

	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	–	–	74,805	74,805
K-Swiss Convertible Bonds	–	–	460,424	460,424
	–	–	535,229	535,229

During the period ended 30 June 2024, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

30. 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 20 August 2024.

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 2024:
 2,644,517,925
 Market capitalization as at 30 June 2024:
 HK\$12,720,131,219
 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 2024:

- RMB29.66 cents

Interim dividends per Share:

- HK15.6 cents with a scrip dividend option

Key dates for investors

20 August 2024	2024 interim results announcement
5 to 9 September 2024	Closure of the register of shareholders for determination of interim dividend entitlement (both days inclusive)
30 October 2024	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:

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

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

“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
“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
“K-Swiss Convertible Bonds”	the convertible bonds in an aggregate principal amount of US\$65,000,000 with zero coupon issued by KP Global Investment Limited (formerly known as Xtep Global Investment Limited) to GSUM VII Holdings Limited
“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
“Share Award Scheme”	The share award scheme of the Company adopted on 1 August 2014

“Shareholder(s)”	Shareholder(s) of the Company
“U.S.”	United States of America
“Xtep”	Xtep brand
“Xtep Convertible Bonds”	the 6-year convertible bonds with interest at 1.8% per annum in an initial aggregate principal amount of HK\$500,000,000 issued by the Company to GSUM IV Holdings Limited
“Xtep Kids”	The children’s sportswear business of the Group

REVIEW OF INTERIM RESULTS

The audit committee of the Company have 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 results and the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 with the independent auditor.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Thursday, 5 September 2024 to Monday, 9 September 2024, 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 Monday, 9 September 2024. 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 Wednesday, 4 September 2024. The payment date of the interim dividend is expected to be on Wednesday, 30 October 2024.

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 2024 Interim Report for the six months ended 30 June 2024 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, 20 August 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong; 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.