

XTEP



2022

Interim Report

XTEP INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
SEHK stock code: 1368

ABOUT THE GROUP

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2008. The Group engages mainly in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories. Established since 2001, its own signature brand "Xtep" is a leading professional sports brand with an extensive distribution network of over 6,200 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. In 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.





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INTERIM RESULTS AT A GLANCE

Financial and Operational Overview



Revenue

RMB 5,684 m
▲37.5%



Operating profit

RMB 922 m
▲34.8%



Profit attributable to ordinary equity holders

RMB 590 m
▲38.4%



Interim dividend per Share

HK 13.0 cents
▲13.0%
(Payout ratio: 50.3%)



Net asset value per Share

RMB 3.16
(31 December 2021:
RMB 3.03)



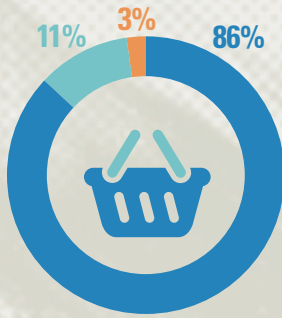
MERRELL



saucony

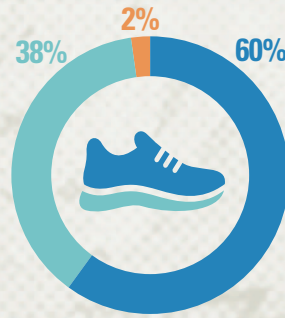


INTERIM RESULTS AT A GLANCE



Revenue by brand nature¹

- Mass market
- Athleisure
- Professional sports



Revenue by product category

- Footwear
- Apparel
- Accessories

Note 1: Signature brands under different brand nature are as follows:

- Mass market — Xtep
- Athleisure — K-Swiss, Palladium
- Professional sports — Saucony, Merrell

WORLDWIDE

Retail and Distribution Network

AMERICAS



EUROPE



CHINA



MIDDLE EAST



AFRICA



ASIA PACIFIC
(ex-China)



FIVE-YEAR FINANCIAL SUMMARY

For the six months ended 30 June

	2022	2021	2020	2019	2018
Profitability data (RMB million)					
Revenue	5,683.6	4,134.9	3,679.1	3,356.9	2,729.0
Gross profit	2,386.8	1,729.4	1,489.1	1,497.3	1,193.1
Operating profit	921.7	683.6	500.7	717.3	592.0
Profit attributable to ordinary equity holders	590.4	426.5	247.9	463.0	375.2
Basic earnings per Share (RMB cents) (Note 1)	23.47	17.09	10.10	20.19	17.26
Profitability ratios (%)					
Gross profit margin	42.0	41.8	40.5	44.6	43.7
Operating profit margin	16.2	16.5	13.6	21.4	21.7
Net profit margin	10.4	10.3	6.7	13.8	13.7
Effective tax rate	33.2	34.7	39.6	32.0	31.8
Return on average total equity holders' equity (annualized) (Note 2)	14.6	11.5	7.1	15.2	14.1
Operating ratios (as a percentage of revenue) (%)					
Advertising and promotional costs	10.2	10.6	10.8	13.4	12.3
Staff costs	11.9	12.4	12.4	10.8	10.7
R&D costs	1.9	2.5	2.8	2.4	2.6

As at 30 June

	2022	2021	2020	2019	2018
Assets and liabilities data (RMB million)					
Non-current assets	3,907.7	3,682.0	3,628.2	1,438.6	1,117.7
Current assets	11,891.5	8,936.0	9,310.9	9,238.7	8,320.1
Current liabilities	4,916.5	3,295.5	3,810.9	3,458.3	3,091.9
Non-current liabilities	2,552.6	1,677.9	2,041.7	320.7	830.1
Non-controlling interests	52.9	70.3	88.1	64.5	108.3
Total equity holders' equity	8,277.2	7,574.3	6,998.4	6,833.8	5,407.4
Asset and working capital data					
Current asset ratio	2.4	2.7	2.4	2.7	2.7
Gearing ratio (%) (Note 3)	18.9	15.4	18.1	16.7	21.0
Net asset value per Share (RMB) (Note 4)	3.16	2.91	2.81	2.76	2.46
Average inventory turnover days (days) (Note 5)	106	79	94	81	104
Average trade receivables turnover days (days) (Note 6)	102	112	137	107	113
Average trade payables turnover days (days) (Note 7)	138	114	142	90	134
Overall working capital days (days)	70	77	89	98	83

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.

CORPORATE INFORMATION

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

Yeung Lo Bun, FCPA

AUTHORIZED REPRESENTATIVES

Ding Shui Po
Yeung Lo Bun

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICE IN THE PRC

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

LEGAL ADVISER AS TO HONG KONG LAWS

Loeb & Loeb LLP

AUDITOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.xtep.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,



The Chinese economy kicked off 2022 on an uncertain footing, as sporadic outbreaks of COVID-19 spurred new lockdowns in several major cities in Mainland China since March. Reimposition of resultant restrictive measures by the Chinese government to curb the pandemic weighed heavily on a wide range of economic activities and consumer sentiment. The total retail sales of consumer goods in China saw a marked deterioration in March and April and contracted by 3.5% and 11.1% year on year, respectively¹. China's GDP in the second quarter slowed to a 0.4% year-on-year growth compared with a 4.8% year-on-year growth in the first quarter in 2022².

Meanwhile, economic uncertainty in the wake of the COVID-19 pandemic has urged consumers to trade down from premium brands to value brands which target the mass market. Rather than splurging on higher-priced goods, consumers are more accepting of quality domestic products, prompting the core Xtep brand to reap the maximum benefit from the shift in consumer behaviour.

Retail sales of the core Xtep brand bottomed out and demonstrated a visible bounce back since late April 2022, boosting our confidence in accomplishing the revenue growth targets in the coming years as announced in the "5th Five-Year Plan". In 2025, the target revenue of the core Xtep brand would be RMB20 billion, whereas the four new brands are projected to achieve a total revenue of RMB4 billion.

PERFORMANCE REVIEW

The first half of 2022 was concluded with record revenues. The Group's revenue rose 37.5% to RMB5,683.6 million (1H2021: RMB4,134.9 million). Revenue of the core Xtep brand increased by 36.2% to RMB4,897.6 million (1H2021: RMB3,597.1 million). The gross profit margin of the Group lifted to 42.0% (1H2021: 41.8%). Operating profit of the Group increased by 34.8% to RMB921.7 million (1H2021: RMB683.6 million). Profit attributable to ordinary equity holders of the Company climbed by 38.4% to RMB590.4 million (1H2021: RMB426.5 million). Basic earnings per Share was RMB23.5 cents (1H2021: RMB17.1 cents). The Board has declared an interim dividend of HK13.0 cents (1H2021: HK11.5 cents) per Share, representing a year-on-year growth of 13.0%, with an option to receive scrip shares in lieu of cash, which is equivalent to a payout ratio of 50.3% (1H2021: 60.0%).

THRIVING THROUGH ECONOMIC UNCERTAINTY

Appetite for running shows no sign of abating in Mainland China during the pandemic, the sport has become the most participated activity in recent years. As Chinese runners' favorite brand with the most solid running ecosystem built in Mainland China, we continued to widen our "moat" in running by creating breakthrough products with proven performance-enhancing results. In the Marathon World Championships & Asian Games Trials held in Hangzhou in April 2022, the top six contestants such as Yang Shaohui, Renqing Dongzhibu and Dong Guojian achieved satisfying results in the trial wearing "160X" Series.

^{1&2} Source: National Bureau of Statistics of China

CHAIRMAN'S STATEMENT

The growth in occasional and serious runners in Mainland China has also been reflected in the rapid expansion of our Runners Club which currently has approximately 1.5 million members. Despite cancellation of larger profile marathons in the first half of 2022, we accelerated the openings of our Running Clubs as well as sponsorships of high school and university sports events to facilitate the penetration of the core Xtep brand into the running community and engagement with the younger generation. We are hopeful that our market share will increase along with greater brand awareness among the mass market consumers, especially teenagers.

FOSTERING RESILIENCE AMID VOLATILITY

While the citywide lockdowns in Shanghai and other higher-tier cities posed limited impact on the core Xtep brand, the operations of the professional segment was disrupted by its temporary store closures since March. We swiftly adjusted our business strategy to increase efforts in e-commerce to drive sales. In addition, we proactively maximized the synergies of the core Xtep brand and new brands. For instance, more Saucony's products were introduced to the market through the Xtep Running Clubs to broaden the customer base and retail network. As a result, Saucony's revenue doubled in the first half of 2022 and it successfully opened up new opportunities to reach out to more sophisticated customers who demand internationally acclaimed professional sports products.

The athleisure segment saw an improvement in its overseas business in the first half of 2022 supported by progressive resolution of supply chain bottlenecks in Southeast Asian countries and congestion in shipping and at ports worldwide. In Mainland China, K-Swiss achieved gradual progress on store openings and adjustment for brand positioning, product assortment, supply chain and retail network. Retail network optimization for Palladium to buoy its long-term growth will continue in the second half of the year. With a more solid and efficient retail execution, its further business development is expected to resume in the near future.

OUTLOOK

The receding local epidemic and progressive relaxation of social distancing measures, along with various stimulus plans instigated by the Chinese government in June to shore up economic growth, will promote the revival of the economy and consumer sentiment. Those supportive measures, covering fiscal and monetary policies, aiming to boost consumption and bring stability in supply chain and people's livelihoods will set a positive tone to the prospects for the retail sector in Mainland China.

Notwithstanding the lingering impacts of COVID-19 in the second half of 2022, we remain optimistic about the medium- to long-term business outlook as the demand for sportswear products will continue to grow. Brands under the mass market and professional sports segment, such as the core Xtep brand and Saucony, will further benefit from the increasing health consciousness among Chinese consumers and the government's determination to foster physical fitness and encourage youth participation in sports. The rising geopolitical tensions and inflation have impinged on the consumer sentiment in the overseas market, especially the US and Europe. We are cautious about the outlook of the overseas business of our athleisure segment in the second half of 2022. While the businesses of K-Swiss and Palladium in Mainland China are still at an early stage of development, we will focus on the investment in brand building, product innovation and network expansion in the second half of 2022 and beyond. Assisted by the proven resilience of our brands, targeted investments and greater efficiency, we are fully confident to accelerate growth and improve profitability of our business in the long term.

As one of the leading global sportswear players, we are committed to upholding the highest standard of sustainability governance in our operations and returning to the society. A long-term sustainability plan was set out in 2021 with respective strategies and targets to pivot the Group to build a strong foundation for sustainable development.

Lastly, I would like to take this opportunity to show my appreciation for the unremitting efforts of every member of staff and support of our business partners over the past years. My heartfelt gratitude also goes to the shareholders and Board members who have walked side by side with the Group for their trust and recognition to the Group. We will continue to remain fully committed to strengthening our capability and leading the Group to a more prosperous future and creating higher return for all shareholders.

Mr. Ding Shui Po

Chairman

Hong Kong, 23 August 2022

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET DEVELOPMENT

Key economic indicators such as total retail sales of consumer goods and industrial production plummeted by 11.9% and 2.9%¹, respectively, in April 2022 as China continued to battle the country's worst COVID-19 outbreak since the pandemic emerged, posing significant challenge to its growth prospects. Nonetheless, sportswear companies appeared to be more resilient than other apparel industry in the first half of 2022. According to a report published by Brand Finance in April 2022, the aggregate brand value of sportswear brands amongst the top 50 apparel industry brands has grown 8.8% from USD68 billion to USD74 billion in 2022. Sportswear brands have seen a steady growth in brand value as consumers spent more time at home and selected brands for comfort rather than style. In particular, domestic sportswear brands are amongst the fastest growing brands in the ranking. In addition, consumers in Mainland China are spending more cautiously on high-end items and pivot toward value for money products during times of economic uncertainty. This favorable phenomenal along with national policies targeting to spur long-term domestic demand will put domestic sportswear brands which offer professional products at mass market prices in the competitively advantageous position more than ever.

Millennials and Generation Z ushering in a golden period of development in running

According to the "2021 Public Exercise Behaviors and Consumption Report" published jointly by the China Sporting Goods Federation and Nielsen, running has rapidly entered the mainstream and become the most beloved sporting activity in Mainland China in 2021. The "2021 China Running White Paper" released by Joyrun also showed that although the majority of runners in Mainland China are millennials, which account for 70.3% of the total Joyrun users; Gen Z recorded the fastest runner growth rate of 62.3% among all age groups, primarily driven by the long-term plan of the Chinese government to deepen the integration of sports and education to promote the healthy development of adolescents. It is expected that both Millennials and Gen Z will usher in a golden period of development in running. Eyeing on the burgeoning running market in Mainland China, domestic sportswear brands have allocated more R&D resources to enrich their running product offerings. With more and more domestic running shoes being added to the runner's shopping cart, brands with deep cultivation in the field of running are more likely to outperform their peers and flourish in the suddenly crowded market.

New digital ecosystem in the sportswear industry

Digital technology is unlocking unprecedented opportunities for growth in the sportswear industry, offering the potential for brands to draw consumers closer through innovation. The digital world is evolving beyond virtual gatherings to immersive 3D realities, and consumers are embracing these digital spaces to socialize with various communities. More retailers have utilized interactive digital displays in stores to attract new customers and increase retention rate. At a time when restrictive measures were tightened due to further worsening of the pandemic, more consumers have leveraged digital tools to stay connected to the outside world at their fingertips. Several brands were taking sportswear to the next level with the release of virtual products. In Mainland China, virtual running products launched by some domestic sportswear brands, including Xtep, received exceptional reception and were sold out on first day of launch, showing consumers' readiness to participate in the digital ecosystem. The attempts of brands to adopt digital fashion as a way to enhance brand loyalty, boost their image and reach new audiences will continue to earn the patronage of the younger generation. Brands wishing to participate successfully in the new digital ecosystem should step up their investment in store digitalization and R&D innovation for modern times.



¹ Source: National Bureau of Statistics of China

BUSINESS REVIEW

Multi-brand business model

As consumers continued to adapt to a healthier lifestyle post-COVID pandemic, we expand our customer reach and cater to diverse customer groups via our comprehensive portfolio, which comprises of three market segments, namely the mass market that features the core Xtep brand, professional sports that features Saucony and Merrell and athleisure that features K-Swiss and Palladium.

The core Xtep brand offers value-for-money functional sportswear to consumers in the mass market, while Saucony and Merrell provide elite athletes with cutting-edge sportswear to unleash potential and improve performance. Riding on the prevailing athleisure trend, K-Swiss and Palladium offer athleisure wear that combines performance and durability with comfort and fashion to the younger consumers.

Mass market



As one of the leading domestic sportswear brands in Mainland China, the core Xtep brand has built the largest running ecosystem in the community, including professional sportswear spanning across over 6,200 Xtep branded stores, 41 Xtep Running Clubs with around 1.5 million of Xtep Runners Club members, as well as top-class sports celebrities to raise our brand equity. To maintain our “moat” in the running market, we continued to achieve excellence in R&D competency and launched various product series to capture the attention of Chinese runners.

MASS MARKET

XTEP

ATHLEISURE

K-SWISS

PALLADIUM
L'ORIGINALE
DEPUIS 1967

PROFESSIONAL SPORT

saucony

MERRELL

MANAGEMENT DISCUSSION AND ANALYSIS

Running

Product innovation

Award-winning professional running collection – “160X” Series

Since the launch of our world-renowned running collection “160X” Series in December 2019, we have celebrated numerous championships and best records in marathons and running events with our sponsored athletes who wore the “160X” shoes. These outstanding performances are persuasive testimonials of our state-of-the-art technology and capability to facilitate professional athletes to break through previous speed.

RC160X

Dong Guojian

Best record among Chinese active professional marathoners

2:08:28 2019 Berlin Marathon (Germany)

160X PRO

Peng Jianhua

Best men’s marathon record in China in 2020

2:08:50 2020 Nanjing Marathon & National Marathon Championships (China)

Best men’s half marathon record in China in 2020

1:03:03 2020 Xiamen Huandong Half Marathon (China)

MANAGEMENT DISCUSSION AND ANALYSIS

Riding on the popularity of our “160X 2.0” professional running shoes launched in 2021, the “160X 3.0” — the third generation of the renowned “160X” Series — rolled out in March 2022 continued to be regarded as one of the must-have shoes for expert runners. Equipped with a wider and thicker rolling carbon-fiber plate, the “160X 3.0” is designed to offer athletes with higher propulsion power, stability and protection. The shoe received the “Silver A’ Design Award Winner” for Sports, Entertainment and Recreation Equipment Design Category in the “A’ Design Award 2022”, and was awarded the “Gold Winner” in MUSE Design Awards 2022.



MUSE
DESIGN
AWARDS



REACTIVE COIL PRO



REACTIVE COIL 9.0



Top-selling running shoes Series — “REACTIVE COIL PRO” and “REACTIVE COIL 9.0”

As a signature collection under the Mass Market Series, the “REACTIVE COIL” Series has always been in high demand among runners. As one of our best sellers in the first half of 2022, the “REACTIVE COIL 9.0” released in March 2022 uses two staggered layers of hollow structure to offer higher shock absorption and stability compared to the previous generation.

The collection was further enhanced with the launch of “REACTIVE COIL PRO” in May 2022. Adopting the X-shaped hollow nylon plate structure and X-DYNAMIC FOAM double-layered midsole technology, the shoe offers excellent cushioning and rebound resilience to runners, while reducing energy loss and risk of injury.

MANAGEMENT DISCUSSION AND ANALYSIS

Mainstream running products



Campus sports shoes under the “Xtep 100” Series

With dedicated efforts in the research on adolescent’s campus sports scenarios, Xtep unveiled new campus sports shoes under the “Xtep 100” Series in March 2022. Apart from “Fei Ling”, the first product under the Series specially designed for 1,000-meter run, shoes for rope skipping, long jumping, and cross training were launched to empower adolescents to engage in school sports.

NFT collection – “160X-Metaverse” & “Guosu No. 1”

To resonate with the younger, digital native consumers, Xtep introduced the first NFT collection “160X-Metaverse” in March 2022, and became the first domestic sportswear brand in China to have created the metaverse experience for runners. Building on the successful launch of the first digital running shoes, the second NFT collection, “Guosu No. 1”, was unveiled in May 2022. The sales of the two digital running shoes were enthusiastic.



Guosu No. 1



160X-Metaverse

MANAGEMENT DISCUSSION AND ANALYSIS

Xtep Running Club

To spice up public passion for sports and spread the power of running, 11 new Xtep Running Clubs ("XRC") were launched in the first half of 2022. At the opening of the Guangzhou Tianhe Sports Center XRC in June 2022, an 8km run event was held to mark its debut. Locating in the best city parks and popular running places in Mainland China, our XRCs provide runners with one-stop professional running services including running consultation, running group support, mobile charging and shower facilities. Running events organized by the XRCs on a regular basis and targeted selling of our stellar running products have also allowed us to increase community penetration and strengthen our running ecosystem.



Number of XRC as at 30 June 2022:

41

Number of members of Xtep Runners Club:

~1,500,000



XRC 特步跑步俱乐部



Guangzhou Xtep Running Club (231 sqm)

- || 14
- || 15
- || 16
- || 17
- || 18

MANAGEMENT DISCUSSION AND ANALYSIS

Sports celebrities

In the first half of 2022, we sponsored 25 professional athletes in multiple sports to maintain our reputation in the industry, including the top six male runners, namely Yang Shaohui, Renqing Dongzhibu and Dong Guojian, in the Marathon World Championships & Asian Games Trials held in Hangzhou in April 2022. Our sports celebrities who wore professional Xtep sportswear when they achieved satisfying results in the trials and participated in global events further solidified our leading position in the sportswear industry in Mainland China.

“Exciting Hangzhou” Marathon World Championships & Asian Games Trials (Men)

Rank	Name	Time	Shoe Model
1	Yang Shaohui	2:11:52	160X PRO
2	Renqing Dongzhibu	2:11:55	160X 2.0
3	Dong Guojian	2:12:49	160X PRO
4	He Jie	2:13:00	160X PRO
5	Yang Kegou	2:13:11	160X PRO
6	Zhou Bo	2:13:33	160X PRO

“Exciting Hangzhou” Marathon World Championships & Asian Games Trials (Women)

Rank	Name	Time	Shoe Model
1		2:26:56*	160X 2.0
3		2:31:25*	160X 2.0
5		2:33:26*	RC160X



* Participants who wore Xtep running shoes and achieved remarkable results.

MANAGEMENT DISCUSSION AND ANALYSIS



LAVITATION 6.0

Basketball

New Basketball shoes — “LAVITATION 6.0” & “F.L.A.S.H 3.0”

We released two basketball shoes to enrich our basketball line in the first half of 2022. Designed with feather foam midsole and XTRA-SUPPORT technology, “LAVITATION 6.0” offers exceptional rebound and anti-twist function to enhance players’ performance. On the other hand, the “F.L.A.S.H 3.0” featuring comfort and lightness is constructed from FEATHER FOAM lightweight midsole and the latest XTEP-BOOOM rebound technology to offer basketball players high-performance experience with feeling of breathable, lightweight and high rebound. As we continue to gradually expand the line of products in basketball, we are committed to launching quality professional basketball products to maximize players’ achievement.

F.L.A.S.H 3.0



Lifestyle



Premium label “XTEP-XDNA”

Taking inspiration from retro Chinese culture, “XTEP-XDNA” rolled out two series, namely Nirvana Temple and Robotic Monk, to bring a dramatic convergence of classic and modern styles. While the Nirvana Temple Series features ancient elements which symbolizes a 1,500-year-old temple, the Robotic Monk Series establishes a vibe of smart technology with bright colours and a titanium imprint that illustrates Xtep’s logo. The two series adopts XTEP-ECO biodegradable materials made from plants as a fitting tribute to the Shaolin spirit of “inheritance”.

The more environmentally conscious younger generations have inspired us to launch greener products, such as the XTEP-XDNA Shaolin crossover denim series. The products under the series employs ECOINDIGO® environmentally friendly materials which substantially reduce the use of chemical agents during the dyeing and finishing processes, while providing a soft texture to the versatile materials via adoption of a low-carbon method, enabling the convenience of switching between daily life and sports.



MANAGEMENT DISCUSSION AND ANALYSIS



“HALF-SUGAR” women’s collection

Leveraging the positive chemistry between Xtep and Dilraba since our partnership in 2021, the first women’s collection, “HALF-SUGAR”, has garnered wide popularity among female consumers. Taking on the mission to inspire and empower every woman to confidently project their authenticity and realize their self-worth, we will scale up the collaboration with our spokespersons to launch more stylish and unique women’s clothing.

CELEBRITY SPOKESPERSONS

Celebrity endorsement has been a salient strategy for Xtep to convey positive inspirations, spread brand awareness and capture the younger generations.



Sustainability

Polylactic acid fiber T-shirt and Windbreaker

As a socially responsible company, we are committed to steadily increasing the use of environmentally friendly materials in our production. We launched the first polylactic acid fiber (“PLA”) products from 2020 and have advanced the application of biodegradable materials in our products ever since. We increased the PLA content in our T-shirts from 19% to 60% in 2021; and further raised the PLA content in our T-shirts launched in the second quarter of 2022 to 76%. Meanwhile, the trial production of the 100% PLA windbreaker was also launched echoing the World Environment Day in 2022. The PLA content can be naturally degraded within one year if buried under specific conditions, thus lessening environmental impact.



Xtep Kids



Young people’s enthusiasm for sports in Mainland China has reached new heights especially after the government’s shift towards listing physical strength and ability a higher priority. Supported by the successful restructuring from branding and products to retail network, the Kids’ business saw remarkable growth in recent years. During the 618 Shopping Festival in 2022, online sales of Xtep Kids swelled 103% to RMB75 million. As at 30 June 2022, there were around 1,480 POS (31 December 2021: 1,179 POS) in Mainland China for Xtep Kids.

As a highly trusted national brand among the younger consumers, Xtep Kids encourages children in Mainland China to chase their dreams through the “Teenagers in a Big Country” campaign. In April 2022, Xtep Kids and China Space Museum jointly launched the aerospace science public welfare event, “Million Youth Questions About Sky Project”, where Xtep Kids was officially named a “Strategic Partner of the China Space Museum”. This strategic collaboration is expected to further drive young people’s passion and interest in the exploration of aerospace science. Aerospace-themed activities were also organized at Xtep Kids stores for youngsters to gain aerospace knowledge through trying on spacesuits and building aerospace models.



MANAGEMENT DISCUSSION AND ANALYSIS

Retail management and branding

There were 6,251 Xtep branded stores mainly operated by authorized distributors in Mainland China and overseas as at 30 June 2022.

Customer experience has always been a major determinant of brand loyalty and customer retention rate. Our ninth-generation stores with larger store size and digital innovation, such as lighting control, AI robots, digital signage and rising stages, have drastically enhanced our brand image and allowed us to have an increase in foot traffic and cross-selling ratio. These improvements, as a result of an extensive product range and immersive retail experience offered in our ninth-generation stores, will drive us to further achieve excellence in retail channel upgrade.



Ninth-generation store in Kunming, Yunnan province (298 sqm)

Ninth-generation store in Taiyuan, Shanxi province (660 sqm)

Number of Xtep branded stores in Mainland China and overseas as at 30 June 2022:

6,251

MANAGEMENT DISCUSSION AND ANALYSIS

Athleisure



The overseas business operations of K-Swiss and Palladium has shown an improvement due to gradual normalization of supply chain. In the first half of 2022, revenue from the athleisure segment increased by 36.3% to RMB629.5 million, contributing 11.1% of the Group’s revenue.

Business development

During the period, new pilot stores for K-Swiss were launched in Mainland China since January 2022 to test management practices, operational systems and consumer preferences on new products. Product mix and design were proactively adjusted so that we could fine-tune the product-market fit and connect with suitable customer segments. As at 30 June 2022, there were 50 self-operated stores for K-Swiss in Asia-Pacific including Mainland China.

In order to sustainably scale Palladium for the long haul, we persistently enhanced the product offering and optimized the retail network for the brand in the first half of 2022. As at 30 June 2022, there were 71 self-operated stores for Palladium in Asia-Pacific including Mainland China.

Palladium store in Fujian province (124 sqm)



K-Swiss store in Jilin province (292 sqm)



MANAGEMENT DISCUSSION AND ANALYSIS

Product innovation and marketing

As a global heritage tennis brand representing a style statement both on and off the court, K-Swiss introduced its second model of tennis shoes "GSTAAD". Every detail of these simple yet classic shoes marvellously embodied the nobility and elegance of Switzerland.

In addition, through the sponsorship of footwear and apparel to increase its exposure in the tennis field, the brand has associated itself with Cameron Norrie, the current British No.1 male tennis player and the first Brit to win the men's singles at Indian Wells in 2021, while he is at the peak of his career since 2020. Norrie played at the semi-finals of the 2022 Wimbledon Tennis Championships with outstanding performance, showcasing K-Swiss' tennis DNA to the world.

On the other hand, Palladium brought on a tech-fueled adventure to modern explorers through its SS22 collection with a focus on sustainability, new technology and contemporary design. The limited edition PALLABROUSSE 75TH ANNIVERSARY collection was launched to reconnect with the brand's heritage as it has evolved over seven-and-a-half decades of cultural change, while the classic PAMPA style arrived in an eco-friendly update named as PAMPA ECO-VERSARY. Using environmentally friendly and upcycled materials, each PAMPA ECO-VERSARY boot is dyed with pigments made from almond shell food waste, speckled outsoles that contain disused wood pellets and fully biodegradable lace tips.



Palladium — PALLABROUSSE
75TH ANNIVERSARY

K-Swiss — GSTAAD

MANAGEMENT DISCUSSION AND ANALYSIS

Professional sports



Undaunted by the tightened restrictive measures put in place mainly in higher-tier cities against the spread of COVID-19, revenue of the professional sports segment soared 106.4% to RMB156.5 million, contributing 2.7% of the Group’s revenue in the first half of 2022.

Business development

Retail sales of the professional sports segment from offline business were dampened by the temporary store closures due to the lockdown measures enforced in higher-tier cities since mid-March. In light of this, we devoted more effort to driving e-commerce expansion and minimizing such impacts. During the 618 Shopping Festival, Saucony’s online sales rocketed 135% year on year, demonstrating a resilient growth. Since Saucony bears a striking resemblance to the core Xtep brand in which they both possess strong brand identity in running, we swiftly expanded Saucony’s exposure in other cities in Mainland China through the Xtep Running Clubs and successfully increased its brand awareness. In the second half of 2022, more Saucony and Merrell stores will be launched in higher-tier cities in Mainland China to sustain their future growth plan. As at 30 June 2022, there were 46 and seven self-operated stores for Saucony and Merrell in Mainland China, respectively.



Saucony store in Nanjing (123 sqm)



Saucony — KINVARA 13

Saucony — TEMPUS

Product innovation and marketing

Taking on the responsibility to promote running in Mainland China, Saucony launched the “Running in Each City” campaign in various cities for runners to experience the sensation of running in Saucony’s products as well as to enjoy the cities’ fascinating views, taste savory cuisines and illustrate their own stories connected with the cities. Furthermore, Saucony launched brand-new supporting trainers “TEMPUS”, which have quickly won market recognition with its industry-leading technological innovation, while the deluxe lightweight running shoes “KINVARA 13” and flagship carbon-plate running shoes “Endorphin Pro 3” have been supporting the ongoing and changing needs of runners.

Merrell has always been at the forefront of taking initiatives to create an eco-friendly future. In the first half of 2022, the brand launched a new generation of “Hydro Moc Bloom shoes”, with interstellar colors as the central design theme. Featuring an antibacterial ultra-light midsole, each pair of shoes also incorporated 10% BLOOM™ algae biomass, hence reduced the use of petroleum in traditional footwear foam, and echoed the environmental protection philosophy of Merrell.



Merrell — Hydro Moc Bloom

MANAGEMENT DISCUSSION AND ANALYSIS

Operations management**Supply chain management**

We remain fully committed to operating a seamless business with the support of an efficiently managed supply chain. Apart from in-house production, we utilize outsourced suppliers to produce footwear and apparel products, and sourced materials for production collectively.

The Group's production capacity allocation

The in-house production facility in Shishi, Fujian province was put into operation in early 2022. Occupying with a gross floor area of approximately 85,000 square meters, the facility is equipped with advanced footwear assembly lines to satisfy the higher product demand.

The construction of the logistics park with a gross floor area of approximately 240,000 square meters in Jinjiang, Fujian province, was in full swing. The first phase of the logistics park, which is mainly be used for our sales fair, was completed in 2021 and the full completion is expected to take place in 2024. The logistics park will serve as our central warehouse to deliver finished products directly to the branded retail stores and provide intelligent sorting for returned orders, significantly enhancing operational efficiency.

Furthermore, we commenced the construction of a new industrial park with a gross floor area of approximately 28,000 square meters in Bengbu, Anhui province in 2021 to accommodate the continuously growing business. The industrial park is expected to be put into operation in the near future for the manufacturing and delivery of our products.

Human resources management

As at 30 June 2022, the Group had approximately 9,600 employees (31 December 2021: approximately 8,500 employees), of which 58.0% was production employees (31 December 2021: 51.2%). Attracting and retaining talent is the key to our business development. We established a comprehensive Performance Management System to review employee performance and inform promotion and wage adjustment decisions. Under the system, employees discuss their work performance with their supervisors regularly.

In addition, we continued to explore our employees' needs for training and equip our staff with the skills they need to meet the demand for their current role through the Xtep Talent Centre which comprises the Professional Talent Development Department, Management Talent Development Department, Talent and Cultural Operation Department and Xtep Online Training Platform. As at 30 June 2022, our Xtep Talent Centre provided approximately 11,350 hours of online and offline training to employees.

MANAGEMENT DISCUSSION AND ANALYSIS

Prospect

The pledge by the Chinese government to promote the sports industry with increasingly sophisticated facilities and guidelines to call for sports participation is expected to raise the domestic demand for sportswear. Meanwhile, the COVID-19 pandemic has been a boom time for running and its widespread popularity especially in recent years has resulted in an enormous growth potential for professional running products. Economic uncertainty during the COVID-19 pandemic has also prompted a shift in consumer spending to quality domestic products. We remain optimistic that the national policy support along with favorable market trends will continue to fuel the expansion of the Group's business and lead the core Xtep brand to its growth trajectory.

The remarkable success in the first year of the "5th Five-Year Plan" boosted our confidence in accomplishing the revenue target for the core Xtep brand in 2022 and beyond. Riding on the encouraging performance in the first half of 2022, we will continue to broaden our "moat" through the outspread running ecosystem to set us apart from other industry players. National policies to raise youth sports participation has increased demand for functional sportswear for teenagers. The successful restructuring for the kids business in brand upgrade and product enhancement built a firm foundation for sustainable business development, it is expected that Xtep Kids will continue to achieve a higher growth rate in the years ahead. More store openings in new store format with elevated customer experience for both Xtep Adults and Xtep Kids to drive better store productivity and cross-selling opportunities will be launched in the coming years.

The growth momentum of the professional sports segment has exceeded expectation. Newfound optimism is slowly creeping back into the segment as we saw accumulated demand for professional sportswear. We will continue to strengthen the brand recognition of Saucony and Merrell through offering products with world-class designs and cutting-edge technologies to consumers who demand high functionality and performance. Leveraging its strong e-commerce operations, resources of the core Xtep brand and accelerated new store openings in high-tier cities in Mainland China in the near future, Saucony is expected to stay on a higher growth trajectory even amid the pandemic.

Given the mix of impacts from COVID-19 pandemic, geopolitical risks and slowing economic growth in the global market, we remain cautious about the business outlook of the athleisure segment in the short term. In Mainland China, operations of K-Swiss is still in the trial stage and we will continue to modify its product mix and design based on consumer preferences and feedback to fully unleash its DNA. For Palladium, optimization of its retail network and e-commerce business will continue to be carried out to maximize O2O synergies.

Although the sudden resurgence of COVID-19 overcasted the consumer momentum in Mainland China during the first half of 2022, we remain optimistic about the long-term prospects of the sportswear industry. While the core Xtep brand will continue to be the stable growth driver, the four new brands will inject new impetus into the Group, thereby steering us toward sustainable growth as planned in our "5th Five-Year Plan" and creating higher returns for the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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 period ended 30 June

	2022 Revenue (RMB Million) (% of Revenue)		2021 Revenue (RMB Million) (% of Revenue)		Change in revenue (%)
Footwear	3,379.8	59.5	2,604.1	63.0	29.8
Apparel	2,186.5	38.4	1,451.6	35.1	50.6
Accessories	117.3	2.1	79.2	1.9	48.2
Total	5,683.6	100.0	4,134.9	100.0	37.5

Group Revenue Breakdown by Brand Nature

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

For the period ended 30 June

	2022 Revenue (RMB Million) (% of Revenue)		2021 Revenue (RMB Million) (% of Revenue)		Change in revenue (%)
Mass market	4,897.6	86.2	3,597.1	87.0	36.2
Athleisure	629.5	11.1	461.9	11.2	36.3
Professional sports	156.5	2.7	75.9	1.8	106.4
Total	5,683.6	100.0	4,134.9	100.0	37.5

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

The Group's total revenue for the period ended 30 June 2022 amounted to approximately RMB5.7 billion (2021: RMB4.1 billion), which was mainly driven by revenue contributions from mass market's signature brand as a result of orders from distributors, and continual growth from e-commerce business and kids business and the revenue contributions from Saucony under professional sports segment as a result of its strong retail sales particularly in its e-commerce business.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin Breakdown by Product Category

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

For the period ended 30 June

	2022		2021		Change in gross profit (%)	Change in gross profit margin (% point)
	Gross profit (RMB Million)	Gross profit margin (%)	Gross profit (RMB Million)	Gross profit margin (%)		
Footwear	1,411.1	41.8	1,110.9	42.7	27.0	-0.9
Apparel	936.8	42.8	592.1	40.8	58.2	2.0
Accessories	38.9	33.2	26.4	33.3	47.6	-0.1
Total	2,386.8	42.0	1,729.4	41.8	38.0	0.2

The Group's overall gross profit margin remained stable at around 42.0% (2021: 41.8%). The increase in the overall gross profit margin was mainly contributed by the change in product mix, margin contributions from different brands and products sold through different channels.

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 period ended 30 June

	2022		2021		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	2,066.8	42.2	1,494.3	41.5	38.3	0.7
Athleisure	250.7	39.8	200.7	43.5	24.9	-3.7
Professional sports	69.3	44.2	34.4	45.4	101.4	-1.2
Total	2,386.8	42.0	1,729.4	41.8	38.0	0.2

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income and Gains, net

For the period ended 30 June 2022, other income and gains of the Group mainly represented by the government grants, which amounted to approximately RMB159.1 million (2021: RMB145.1 million); the income derived from financial investments and term deposits was approximately RMB35.3 million (2021: RMB34.4 million), which was the interest income derived from treasury deposit products. Net fair value gain from convertible bonds amounted to approximately RMB13.1 million (2021: Nil). The increase in other income and gains, net was mainly due to the government grants and net fair value gain from convertible bonds.

Selling and Distribution Expenses

For the period ended 30 June 2022, the Group's selling and distribution expenses amounted to approximately RMB1,046.2 million (2021: RMB774.2 million), representing approximately 18.4% (2021: 18.7%) of the Group's total revenue. The increase in selling and distribution expenses of approximately RMB272.0 million was mainly due to the increase in advertising and promotional costs. The advertising and promotional costs for the period amounted to approximately RMB580.9 million (2021: RMB436.6 million), representing approximately 10.2% (2021: 10.6%) of the Group's total revenue. The increase in advertising and promotional costs was mainly due to the increase in advertising campaigns.

General and Administrative Expenses

For the period ended 30 June 2022, the Group's general and administrative expenses amounted to approximately RMB656.2 million (2021: RMB482.6 million), which represented approximately 11.5% (2021: 11.7%) of the Group's total revenue. The increase in general and administrative expenses was mainly attributed to:

- 1) an increase in staff costs and related expenses of RMB76.4 million;
- 2) an increase in donation by RMB30.9 million; and
- 3) a decrease in write-back of impairment for trade receivables by RMB16.8 million.

Net Finance Costs

The total net finance costs of the Group for the period ended 30 June 2022 amounted to approximately RMB28.2 million (2021: RMB30.3 million). The decrease in net finance costs was mainly due to the increase in fair value gain on interest rate swaps amounted to RMB13.6 million (2021: RMB4.0 million) which was offset by the interest expense on Xtep Convertible Bonds amounted to RMB8.9 million (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Profit and Operating Profit Margin Breakdown

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

For the period ended 30 June

	2022		2021		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	1,007.5	20.6	771.1	21.4	30.7	-0.8
Athleisure	(53.7)	(8.5)	(40.5)	(8.8)	32.6	0.3
Professional sports	(3.3)	(2.1)	(10.7)	(14.1)	-69.0	12.0
	950.5	16.7	719.9	17.4	32.0	-0.7
Corporate	(28.8)	N/A	(36.3)	N/A	-20.5	N/A
Total	921.7	16.2	683.6	16.5	34.8	-0.3

The operating profit increased by 34.8% due to the increase in operating profit from mass market segment offset by the operating losses arising from the athleisure segment during the Period.

Income Tax Expenses

Income tax provision of the Group for the period ended 30 June 2022 was approximately RMB293.3 million (2021: RMB224.0 million). The income tax provision included profit tax provision relating to operating companies, which amounted to approximately RMB224.2 million (2021: RMB183.4 million). Also, there was an over-provision of income tax of approximately RMB5.5 million (2021: an under-provision of RMB4.0 million). The Company holds certain PRC subsidiary companies which have retained profits that can be distributed to the Company in the future. In this connection, the Group had provided a provision of withholding tax on undistributed profits amounted to RMB76.0 million (2021: RMB38.0 million) during the Period.

Profit Attributable to Ordinary Equity Holders and Net Profit Margin

For the period ended 30 June 2022, the profit attributable to ordinary equity holders was approximately RMB590.4 million (2021: RMB426.5 million), representing an increase of approximately 38.4% over the same period in last year. The increase was mainly due to the increase in operating profit during the Period.

The Group's net profit margin remained stable at 10.4% (2021: 10.3%).

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Group maintained a high level of cash and bank balances. The Board continued to maintain high Shareholders' dividend return and therefore resolved to distribute an interim dividend of HK13.0 cents per Share (2021: HK11.5 cents per Share). The proposed interim dividend will be offered with a scrip dividend option to the Shareholders, which will allow them to receive new shares of the Company in lieu of cash. Participation in the scrip dividend scheme will be optional. The scrip dividend scheme is subject to the Hong Kong Stock Exchange granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular containing details of this scrip dividend scheme and a form of election, together with this interim report, will be dispatched to the Shareholders.

Working Capital Cycle

For the period ended 30 June 2022, the Group's overall working capital turnover days was 70 days (2021: 77 days).

For the period ended 30 June

WORKING CAPITAL TURNOVER DAYS	2022 Days	2021 Days	Changes Days
Inventories	106	79	+27
Trade receivables	102	112	-10
Trade payables	138	114	+24
Overall working capital turnover days	70	77	-7

The turnover days for inventories and trade payables increased by 27 days and 24 days, respectively, and the turnover days for trade receivables decreased by 10 days resulting in a decrease in overall working capital turnover days by 7 days.

Bills Receivable

In order to have more flexibilities in utilizing working capital facilities, the Group utilized the acceptance and usage of bills receivable. As of 30 June 2022, the bills receivable amounted to approximately RMB455.0 million (31 December 2021: RMB391.0 million). For the period ended 30 June 2022, the number of turnover days of bills receivable was 14 days (2021: 21 days).

Bills Payable

As of 30 June 2022, the bills payable amounted to approximately RMB90.0 million (31 December 2021: Nil). For the period ended 30 June 2022, the number of turnover days of bills payable was 2 days (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Capital Resources

As of 30 June 2022, the Group's cash and cash equivalents amounted to approximately RMB3,303.6 million (31 December 2021: RMB3,929.8 million), representing a decrease of approximately RMB626.2 million. The decrease in the Group's cash and cash equivalents is summarized as follows:

	Six months ended 30 June	
	2022 RMB million	2021 RMB million
Cash (used in)/generated from operating activities	(40.3)	884.7
Income tax paid	(211.1)	(173.3)
Net interest expenses paid	(17.1)	(27.0)
Net cash flows (used in)/generated from operating activities	(268.5)	684.4
(Increase)/decrease in pledged bank deposits	(222.4)	177.4
Prepayment for investment in an associate	–	(125.5)
Increase in investment in associates	(46.5)	(29.4)
Increase in property, plant and equipment	(197.9)	(120.7)
Dividends paid	(261.4)	(122.5)
Net proceeds from/(repayment of) bank borrowings	345.2	(150.2)
Others	25.3	(27.6)
Net (decrease)/increase in cash and cash equivalents	(626.2)	285.9

The net cash and cash equivalents (including term deposits and pledged bank deposits minus bank borrowings and convertible bonds) were approximately RMB1,079.4 million as at 30 June 2022 (31 December 2021: RMB1,925.4 million).

	30 June 2022 RMB million	31 December 2021 RMB million
Cash and cash equivalents	3,303.6	3,929.8
Bank deposits	755.7	533.3
Total bank deposits and bank balances	4,059.3	4,463.1
Less: Bank borrowings	(2,204.4)	(1,780.2)
Less: Convertible bonds	(775.5)	(757.5)
Net cash and cash equivalents	1,079.4	1,925.4

MANAGEMENT DISCUSSION AND ANALYSIS

As of 30 June 2022, the Group's gearing ratio was 18.9% (31 December 2021: 17.4%), which is defined as the total bank borrowings divided by the Group's total assets.

As of 30 June 2022, the total assets of the Group amounted to RMB15,799.2 million (31 December 2021: RMB14,615.4 million), represented by non-current assets of RMB3,907.7 million (31 December 2021: RMB4,183.0 million) and current assets of RMB11,891.5 million (31 December 2021: RMB10,432.4 million). The total liabilities of the Group amounted to RMB7,469.1 million (31 December 2021: RMB6,633.0 million), represented by non-current liabilities of RMB2,552.6 million (31 December 2021: RMB2,580.0 million) and current liabilities of RMB4,916.5 million (31 December 2021: RMB4,053.0 million). The total non-controlling interests of the Group amounted to RMB52.9 million (31 December 2021: RMB53.1 million). Hence, the total net assets of the Group amounted to RMB8,330.1 million (31 December 2021: RMB7,982.4 million), representing an increase of 4.4%. Net assets per Share as at 30 June 2022 were approximately RMB3.16 (31 December 2021: RMB3.03), representing an increase of 4.3%.

Impairment for Trade Receivables

During the Period, the Group recorded a write-back of impairment for trade receivables amounted to RMB2.8 million (2021: RMB19.5 million).

Impairment Provision for Inventories

During the Period, the Group recorded an impairment provision for inventories amounted to RMB9.3 million (2021: a write-back of impairment provision for inventories amounted to RMB7.3 million).

Commitments

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

Contingent Liabilities

As of 30 June 2022, the Group did not have any material contingent liabilities.

Charge of Assets

Save as disclosed in notes 15 and 19 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 2022.

Foreign Currency Risks

The Group mainly operates in the PRC with most of its transactions settled in RMB. The Group's assets and liabilities, and transactions arising from operation are mainly denominated in RMB. Accordingly, it is believed that the Group does not have any material foreign currency risks that would affect its operation. However, the management team will continue to monitor foreign currency risks and adopt prudent measures as appropriate.

Interest Rate Risks

Interest on bank borrowings is mainly charged at floating rates. To mitigate the exposures to floating interest rate risk, the Group in 2020 had entered into various interest rate swap contracts at an aggregate notional amount of HK\$1,440 million (equivalent to approximately RMB1,223.3 million) (2021: HK\$1,440 million) with fixed swap rates ranging from 0.88% to 1.18% per annum.

Significant Investments and Material Acquisitions and Disposals of Subsidiaries

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

Human Resources

As of 30 June 2022, the Group had approximately 9,600 employees (31 December 2021: 8,500 employees), of which 58.0% was production employees (31 December 2021: 51.2%). 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Non-GAAP Financial Measures for Professional Sports Segment

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 2022 and 2021, which should be considered when evaluating our performance. We encourage you to review our financial information in its entirety and not rely on a single financial measure:

	For the six months ended 30 June 2022		
	As reported (RMB\$ million)	Adjustments ² (RMB\$ million)	Non-GAAP (RMB\$ million)
Revenue	156.5	–	156.5
Gross profit	69.3	20.2	89.5
Gross profit margin	44.2%	N/A	57.2%
Operating loss	(3.3)	(8.7)	(12.0)
Operating loss margin	–2.1%	N/A	–7.7%

	For the six months ended 30 June 2021		
	As reported (RMB\$ million)	Adjustments ² (RMB\$ million)	Non-GAAP (RMB\$ million)
Revenue	75.9	–	75.9
Gross profit	34.4	8.4	42.8
Gross profit margin	45.4%	N/A	56.5%
Operating loss	(10.7)	(23.2)	(33.9)
Operating loss margin	–14.1%	N/A	–44.9%

NOTES:

- 1 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 recognise the share of results from its associates in its consolidated financial statements through equity method of accounting.

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

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

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

MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 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 16 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, 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⁾	1,370,734,500	52.02%
Ms. Ding Mei Qing	Founder and beneficiary of a discretionary trust ⁽²⁾	1,310,059,500	49.72%
Mr. Ding Ming Zhong	Founder and beneficiary of a discretionary trust ⁽²⁾	1,310,059,500	49.72%
Mr. Tan Wee Seng	Beneficial interests	283,068 ⁽⁴⁾	0.01%

Notes:

- (1) It was based on 2,634,842,743 issued Shares of the Company as at 30 June 2022.
- (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 1,310,059,500 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 1,310,059,500 Shares of the Company.
- (3) Mr. Ding Shui Po is also beneficially interested in 60,675,000 Shares of the Company.
- (4) 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. The remaining 180,000 of these Shares were acquired by Mr. Tan on the 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 2022, 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 Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

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 2022, 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	1,310,059,500	49.72%
Wan Xing International Holdings Limited	Interests of controlled corporation ⁽²⁾	1,310,059,500	49.72%
Ding Wang Fortune Limited	Interests of controlled corporation ⁽³⁾	1,310,059,500	49.72%
Guan Hong Development Limited	Interests of controlled corporation ⁽³⁾	1,310,059,500	49.72%
Ming Zhong Family Limited	Interests of controlled corporation ⁽³⁾	1,310,059,500	49.72%
UBS Trustees (BVI) Limited	Trustee ⁽³⁾	1,310,059,500	49.72%

Notes:

- (1) It was based on 2,634,842,743 issued Shares of the Company as at 30 June 2022.
- (2) Wan Xing International Holdings Limited is deemed to be interested in shares held by Group Success by virtue of Group Success being 100% held by Wan Xing International Holdings Limited.
- (3) Each of Mr. Ding Shui Po, Ms. Ding Mei Qing and Mr. Ding Ming Zhong established a family trust (each, a "Family Trust" and collectively, the "Family Trusts") for the benefit of himself/herself and their respective family members. UBS Trustees (BVI) Limited is the trustee of the Family Trusts and, through its nominee UBS Nominees Limited, holds the entire issued share capital of each of Ding Wang Fortune Limited, Guan Hong Development Limited and Ming Zhong Family Limited as the respective trust assets under the Family Trusts.

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

Save as disclosed above, as at 30 June 2022, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE AWARD SCHEME

The Company has adopted a Share Award Scheme (“Scheme”) in which the Group’s employees, executives, officers or directors will be entitled to participate. Details of the Scheme are set out in the Company’s announcement dated 1 August 2014.

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

SPECIFIC PERFORMANCE OBLIGATIONS ON CERTAIN CONTROLLING SHAREHOLDERS

On 2 September 2019, the Company as borrower entered into a facility agreement (the “Facility Agreement”) with a consortium of nine banks arranged by Hang Seng Bank Limited (“HASE”), The Hongkong and Shanghai Banking Corporation Limited, Bank of China (Hong Kong) Limited and CTBC Bank Co., Ltd. as mandated lead arrangers and bookrunners and HASE as the facility agent, pursuant to which a 4-year term loan facility in the principal amount of HK\$1,800,000,000 (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;
- (b) Mr. Ding Shui Po will maintain control over the management and business of the Group;
- (c) Mr. Ding Shui Po and Ms. Ding Mei Qing (the “Majority Shareholders”) 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; or
- (d) the Majority Shareholders 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 2022 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. Ms. Ding Mei Qing was an executive Director and a controlling Shareholder of the Company. Mr. Ding Shui Po and Ms. Ding Mei Qing collectively held indirectly approximately 49.72% of the issued share capital of the Company. Mr. Ding Shui Po also had personal beneficial interests in approximately 2.30% of the issued share capital of the Company.

INDEPENDENT REVIEW REPORT



To the board of directors of Xtep International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 38 to 69, which comprise the condensed consolidated statement of financial position of Xtep International Holdings Limited and its subsidiaries as at 30 June 2022, 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

23 August 2022

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	5	5,683,580	4,134,888
Cost of sales		(3,296,756)	(2,405,503)
Gross profit		2,386,824	1,729,385
Other income and gains, net	5	237,198	210,975
Selling and distribution expenses		(1,046,188)	(774,193)
General and administrative expenses		(656,160)	(482,590)
Operating profit	6	921,674	683,577
Net finance costs	7	(28,228)	(30,317)
Share of losses of associates		(11,110)	(7,628)
PROFIT BEFORE TAX		882,336	645,632
Income tax expense	8	(293,273)	(223,952)
PROFIT FOR THE PERIOD		589,063	421,680
Attributable to:			
Ordinary equity holders of the Company		590,432	426,539
Non-controlling interests		(1,369)	(4,859)
		589,063	421,680
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	10		
Basic		RMB23.47 cents	RMB17.09 cents
Diluted		RMB22.50 cents	RMB16.84 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	589,063	421,680
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of operations outside Mainland China	(55,851)	71,515
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	52,381	(75,511)
Equity investments designated at fair value through other comprehensive income	(6,700)	30,700
Income tax effect	1,005	(4,605)
	(5,695)	26,095
Net other comprehensive income/(expense) that will not be reclassified to profit or loss in subsequent periods	46,686	(49,416)
Other comprehensive income/(expense) for the period, net of tax	(9,165)	22,099
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	579,898	443,779
Attributable to:		
Ordinary equity holders of the Company	580,169	448,910
Non-controlling interests	(271)	(5,131)
	579,898	443,779

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,269,320	1,118,777
Investment properties		26,947	28,355
Right-of-use assets		652,932	668,025
Goodwill		786,349	756,275
Intangible assets		693,362	671,348
Investments in associates		181,742	143,631
Equity investments designated at fair value through other comprehensive income	14	214,265	220,965
Prepayment, deposits and other asset	13	82,750	75,713
Term deposits	15	–	500,000
Total non-current assets		3,907,667	4,183,089
CURRENT ASSETS			
Inventories	11	2,313,353	1,497,414
Trade receivables	12	3,211,453	3,137,244
Bills receivable	12	454,988	391,000
Prepayments, other receivables and other assets	13	1,847,562	1,442,576
Derivative financial instruments	18	4,827	–
Tax recoverable		–	1,034
Term deposits	15	500,000	–
Pledged bank deposits	15	255,717	33,347
Cash and cash equivalents	15	3,303,577	3,929,792
Total current assets		11,891,477	10,432,407
CURRENT LIABILITIES			
Trade payables	16	2,611,889	2,352,394
Bills payable		90,000	–
Other payables and accruals	17	1,037,363	1,071,000
Interest-bearing bank borrowings	19	942,679	405,080
Lease liabilities		104,284	98,212
Deferred subsidies		577	577
Derivative financial instruments	18	–	2,737
Tax payable		129,708	123,031
Total current liabilities		4,916,500	4,053,031
NET CURRENT ASSETS		6,974,977	6,379,376
TOTAL ASSETS LESS CURRENT LIABILITIES		10,882,644	10,562,465

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	19	1,261,765	1,375,082
Xtep Convertible Bonds	20	363,749	341,048
K-Swiss Convertible Bonds	21	411,705	416,499
Derivative financial instruments	18	60,010	56,269
Lease liabilities		91,800	102,155
Deferred tax liabilities		339,216	253,420
Deferred subsidies		19,629	19,918
Other liabilities		4,672	15,635
Total non-current liabilities		2,552,546	2,580,026
NET ASSETS			
8,330,098			
EQUITY			
Equity attributable to ordinary equity holders of the Company			
Share capital	22	23,130	23,092
Reserves		8,254,090	7,906,198
Non-controlling interests			
52,878			
Total equity		8,330,098	7,982,439

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2022

Six months ended 30 June 2022 (Unaudited)

Notes	Attributable to ordinary equity holders of the Company													
	Reserves											Non-controlling interests	Total equity	
	Share capital	Share premium account	Capital reserve	Statutory surplus fund	Treasury shares	Share award reserve	Equity component of convertible bonds	Exchange fluctuation reserve	Fair value reserve	Retained profits	Total reserves			Total
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 2022 (audited)	23,092	1,958,798	118,615	1,067,751	(338,581)	1,840	26,460	(10,953)	62,530	5,019,738	7,906,198	7,929,290	53,149	7,982,439
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	590,432	590,432	590,432	(1,369)	589,063
Other comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(4,568)	(5,695)	-	(10,263)	(10,263)	1,098	(9,165)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(4,568)	(5,695)	590,432	580,169	580,169	(271)	579,898
2021 final dividend declared and paid	9(b)	-	-	-	-	-	-	-	-	(288,517)	(288,517)	(288,517)	-	(288,517)
Shares issued in lieu of cash dividend	22(a)	38	40,111	-	-	(13,079)	-	-	-	-	27,032	27,070	-	27,070
Transfer to statutory surplus fund	-	-	-	352	-	-	-	-	-	(352)	-	-	-	-
Equity-settled share award arrangement	23	-	-	-	-	25,670	-	-	-	-	25,670	25,670	-	25,670
Vesting of awarded shares	23	-	-	-	-	-	(1,802)	-	-	1,802	-	-	-	-
Dividend for treasury shares	-	-	-	-	-	-	-	-	-	3,538	3,538	3,538	-	3,538
At 30 June 2022 (unaudited)	23,130	1,998,909	118,615	1,068,103	(325,990)	38	26,460	(15,521)	56,835	5,326,641	8,254,090	8,277,220	52,878	8,330,098

Six months ended 30 June 2021 (Unaudited)

Note	Attributable to ordinary equity holders of the Company												
	Reserves											Non-controlling interests	Total equity
	Share capital	Share premium account	Capital reserve	Statutory surplus fund	Treasury shares	Share award reserve	Exchange fluctuation reserve	Fair value reserve	Retained profits	Total reserves	Total		
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 2021 (audited)	22,395	1,652,502	118,615	892,031	(116,321)	3,174	(51,494)	31,590	4,670,841	7,200,938	7,223,333	75,392	7,298,725
Profit/(loss) for the period	-	-	-	-	-	-	-	-	426,539	426,539	426,539	(4,859)	421,680
Other comprehensive income/(expense) for the period	-	-	-	-	-	-	(3,724)	26,095	-	22,371	22,371	(272)	22,099
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	(3,724)	26,095	426,539	448,910	448,910	(5,131)	443,779
2020 final dividend declared and paid	9(b)	-	-	-	-	-	-	-	(153,202)	(153,202)	(153,202)	-	(153,202)
Shares issued in lieu of cash dividend	56	38,489	-	-	(7,832)	-	-	-	-	30,657	30,713	-	30,713
Issuance of shares for share award scheme	629	250,861	-	-	(251,490)	-	-	-	-	(629)	-	-	-
Transfer to statutory surplus fund	-	-	-	64,556	-	-	-	-	(64,556)	-	-	-	-
Equity-settled share award arrangement	-	-	-	-	-	21,924	-	-	-	21,924	21,924	-	21,924
Vesting of awarded shares	-	-	-	-	-	-	(1,203)	-	1,203	-	-	-	-
Dividend for treasury shares	-	-	-	-	-	-	-	-	-	2,689	2,689	-	2,689
At 30 June 2021 (unaudited)	23,080	1,941,852	118,615	956,587	(353,719)	1,971	(55,218)	57,685	4,883,514	7,551,287	7,574,367	70,261	7,644,628

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Operating activities:		
Cash from/(used in) operations	(35,271)	884,674
Income tax paid	(211,121)	(173,331)
Net interest expenses paid	(22,061)	(26,950)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	(268,453)	684,393
NET CASH FLOWS USED IN INVESTING ACTIVITIES⁽ⁱ⁾	(440,887)	(56,270)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES⁽ⁱⁱ⁾	73,205	(335,067)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(636,135)	293,056
Cash and cash equivalents at beginning of period	3,929,792	3,471,951
Effect of foreign exchange rate changes, net	9,920	(7,253)
Cash and cash equivalents at end of period	3,303,577	3,757,754
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	3,303,577	3,657,754
Non-pledged time deposit with original maturity of less than three months when acquired	–	100,000
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	3,303,577	3,757,754

The accompanying notes form part of this interim financial information.

- (i) Net cash flows used in investing activities for the period mainly included investment income derived from financial assets at fair value through profit or loss and term deposits of RMB35,274,000 (2021: RMB34,392,000), increase in pledged bank deposits of RMB222,370,000 (2021: decrease in RMB177,390,000), increase in investment in an associate of RMB46,454,000 (2021: RMB29,384,000) and purchase of items of property, plant and equipment of RMB197,912,000 (2021: RMB120,722,000).
- (ii) Net cash flows from/(used in) financing activities for the period mainly included the dividends paid to ordinary equity holders of the Company of RMB261,447,000 (2021: RMB122,489,000) apart from scrip shares in lieu of cash, net proceeds from new bank borrowings of RMB345,210,000 (2021: net repayment of RMB150,159,000) and principal elements of lease payments of RMB44,730,000 (2021: RMB46,664,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim condensed consolidated financial information does not include all the information and disclosures required in the financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for bills receivable, financial assets at fair value through profit or loss (“FVPL”), equity investments at fair value through other comprehensive income (“FVOCI”), derivative financial instruments and financial liabilities 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 2021 except for the changes in accounting policies made after 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41</i>

The revised standards are not relevant to the preparation of the Group’s interim condensed consolidated financial information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

In preparing the interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those used by management in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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 losses of associates, bank interest income, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude tax recoverable, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. OPERATING SEGMENT INFORMATION (Continued)

The operating segment information for the six months ended 30 June 2022 and 2021 are as follows:

Six months ended 30 June 2022	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	4,897,571	629,474	156,535	5,683,580
Segment results	1,007,567	(53,748)	(3,320)	950,499
Share of losses of associates	(7,369)	–	(3,741)	(11,110)
Bank interest income				13,862
Finance costs, net				(42,090)
Corporate and other unallocated expenses				(28,825)
Profit before tax				882,336
Six months ended 30 June 2021	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	3,597,127	461,928	75,833	4,134,888
Segment results	771,094	(40,548)	(10,704)	719,842
Share of losses of associates	–	–	(7,628)	(7,628)
Bank interest income				10,949
Finance costs, net				(41,266)
Corporate and other unallocated expenses				(36,265)
Profit before tax				645,632

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4. OPERATING SEGMENT INFORMATION (Continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021, respectively.

As at 30 June 2022	Mass market RMB'000 (Unaudited)	Athleisure RMB'000 (Unaudited)	Professional sports RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment assets	11,697,892	2,611,084	227,694	14,536,670
Corporate and other unallocated assets				1,262,474
				15,799,144
Segment liabilities	3,183,594	577,372	137,460	3,898,426
Corporate and other unallocated liabilities				3,570,620
				7,469,046

As at 31 December 2021	Mass market RMB'000 (Audited)	Athleisure RMB'000 (Audited)	Professional sports RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	11,094,761	2,379,102	161,826	13,635,689
Corporate and other unallocated assets				979,807
				14,615,496
Segment liabilities	3,201,872	355,010	54,116	3,610,998
Corporate and other unallocated liabilities				3,022,059
				6,633,057

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Product categories		
Footwear	3,379,750	2,604,080
Apparel	2,186,526	1,451,640
Accessories	117,304	79,168
	5,683,580	4,134,888
(ii) Other income and gains, net		
Government grants*	159,096	145,144
Rental income	7,969	6,568
Royalty income	14,982	11,428
Income derived from financial assets at FVPL and term deposits	35,274	34,392
Dividend income from an equity investment designated at FVOCI	–	9,500
Fair value loss on the derivative component of Xtep Convertible Bonds	(7,620)	–
Fair value gain on K-Swiss Convertible Bonds	20,715	–
Others	6,782	3,943
	237,198	210,975

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

6. OPERATING PROFIT

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Advertising and promotional costs	580,858	436,572
Write-back of impairment of trade receivables, net	(2,750)	(19,542)
Provision/(write-back of provision) for inventories	9,305	(7,276)
Research and development costs*	107,364	102,430
Depreciation of property, plant and equipment and investment properties	49,864	45,193
Depreciation of right-of-use assets	49,512	45,315
Amortisation of intangible assets	6,937	6,959
Staff costs	677,646	511,869
Equity-settled share award scheme expense	25,670	21,924

* The research and development costs for the six months ended 30 June 2022 included RMB70,882,123 (six months ended 30 June 2021: RMB58,492,865) 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense on bank loans	23,007	20,951
Interest expense on discounted bills receivable	12,916	16,949
Interest expense on Xtep Convertible Bonds	8,858	–
Interest expense on lease liabilities	5,143	4,315
Amortisation of bank charges on syndicated loans	5,769	3,089
Fair value gain, net:		
Derivative instruments — transactions not qualified as hedges (note 18(a))	(13,603)	(4,038)
Bank interest income	(13,862)	(10,949)
	28,228	30,317

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2022 (six months ended 30 June 2021: 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	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax — Overseas		
Charge for the period	224,200	183,429
Under/(over)-provision in prior periods	(5,491)	3,978
	218,709	187,407
Deferred tax	74,564	36,545
	293,273	223,952

9. DIVIDENDS

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interim dividend — HK13.0 cents (six months ended 30 June 2021: HK11.5 cents) per ordinary share	297,110	255,942

At the board meeting held on 23 August 2022, the board of directors declared and approved an interim dividend of HK13.0 cents (equivalent to approximately RMB11.3 cents) per ordinary share, totalling approximately HK\$342,530,000 (equivalent to approximately RMB297,110,000), for the six months ended 30 June 2022. 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 2021, the board of directors declared and approved an interim dividend of HK11.5 cents (equivalent to approximately RMB9.7 cents) per ordinary share, totalling approximately HK\$302,317,000 (equivalent to approximately RMB255,942,000), for the six months ended 30 June 2021. 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

9. DIVIDENDS (Continued)

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

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Dividends paid during the period:		
Final dividends in respect of the financial years ended:		
31 December 2021 — HK13.5 cents per ordinary share	288,517	–
31 December 2020 — HK7.5 cents per ordinary share	–	153,202
	288,517	153,202

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 2022 is based on the profit for the period attributable to ordinary equity holders of the Company of RMB590,432,000 (six months ended 30 June 2021: RMB426,539,000) and the weighted average number of 2,515,560,845 (six months ended 30 June 2021: 2,495,552,390) 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 2022 is based on the profit for the period attributable to ordinary equity holders of the Company, adjusted to reflect 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 calculations of diluted earnings per share are based on:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	590,432	426,539
Less: Fair value gain on K-Swiss Convertible Bonds	(20,715)	–
Effect of dilutive potential ordinary shares arising from adjustment to the share of loss of a subsidiary based on dilution of its loss per share*	10,320	–
Earnings for the purpose of diluted earnings per share	580,037	426,539

* Balance represented the decrease in the Group's proportionate interest in the loss of a subsidiary of the Group of RMB10,320,000 (six months ended 30 June 2021: Nil) assuming all K-Swiss Convertible Bonds were converted into ordinary shares of the subsidiary at the beginning of the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)**(b) Diluted earnings per share (Continued)**

The Xtep Convertible Bonds have an anti-dilutive effect on the basic earnings per share amounts presented during the period ended 30 June 2022 because the diluted earnings per share increased when Xtep Convertible Bonds were taken into considerations.

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Weighted average number of ordinary shares as used in the basic earnings per share calculation	2,515,560,845	2,495,552,390
Effect of dilution — weighted average number of ordinary shares: — Share awards	62,045,887	36,646,379
Weighted average number of ordinary shares	2,577,606,732	2,532,198,769

11. INVENTORIES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Raw materials	152,052	102,287
Work in progress	121,758	149,286
Finished goods	2,107,365	1,304,358
Less: Provision for inventories	2,381,175 (67,822)	1,555,931 (58,517)
	2,313,353	1,497,414

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

12. TRADE AND BILLS RECEIVABLES

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables		3,592,783	3,521,171
Less: Impairment of trade receivables		(381,330)	(383,927)
	(a)	3,211,453	3,137,244
Bills receivable	(b)	454,988	391,000

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	1,865,895	1,989,456
3 to 6 months	1,021,048	615,050
6 to 9 months	289,071	183,214
Over 9 months	35,439	349,524
	3,211,453	3,137,244

- (b) The maturity dates of the bills receivable at the end of the reporting period are analysed as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	202,488	220,000
3 to 6 months	252,500	47,000
6 to 9 months	–	124,000
	454,988	391,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Prepayments to contracted manufacturers		131,137	102,561
Deposits and advance payments to suppliers		800,144	611,893
Deposits and advance payments to subcontractors		258,449	199,910
Right-of-return assets		6,705	4,914
Other asset		65,010	65,010
Value added tax ("VAT") recoverable		434,162	369,879
Other receivables	(a)	141,449	143,137
Other deposits		93,256	20,985
		1,930,312	1,518,289
Less: Non-current portion prepayments, deposits and other asset		(82,750)	(75,713)
		1,847,562	1,442,576

Note:

- (a) Included in the other receivables are amounts due from the associates of RMB6,293,000 (31 December 2021: RMB23,939,000), which are repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

	Note	RMB'000
At 1 January 2022 (audited)		220,965
Changes in fair values	(a)	(6,700)
At 30 June 2022 (unaudited)		214,265

As at 30 June 2022, the Group held three unlisted investments with fair values of RMB177,400,000 (31 December 2021: RMB181,000,000), RMB16,900,000 (31 December 2021: RMB20,000,000) and RMB19,965,000 (31 December 2021: RMB19,965,000), representing 5%, 11% and 0.3% (31 December 2021: 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 2018. During the period ended 30 June 2021, the Group received dividend of RMB9,500,000 from the unlisted investments.

Note:

- (a) During the period, fair value losses of RMB6,700,000 (six months ended 30 June 2021: fair value gains of RMB30,700,000) in respect of the Group's equity investments designated at FVOCI were recognised in the interim condensed consolidated statement of comprehensive income.

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

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Term deposits		500,000	500,000
Cash and bank balances		3,559,294	3,963,139
		4,059,294	4,463,139
Less: Pledged bank deposits for:			
— short-term bank loans	19	(255,717)	(33,347)
Less: Term deposits		(500,000)	(500,000)
Cash and cash equivalents		3,303,577	3,929,792

At the end of the reporting period, the cash and bank balances and term deposits of the Group denominated in RMB amounted to RMB3,876,616,000 (31 December 2021: RMB3,640,060,000). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

16. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	2,306,738	2,194,296
3 to 6 months	199,831	55,120
Over 6 months	105,320	102,978
	2,611,889	2,352,394

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 RMB69,693,000 (31 December 2021: RMB10,573,117) which is repayable on demand.

17. OTHER PAYABLES AND ACCRUALS

	Note	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contract liabilities		72,602	91,414
Refund liabilities		11,085	8,459
Other payables	(a)	281,131	240,083
VAT payables		1,888	3,416
Accruals		670,657	727,628
		1,037,363	1,071,000

Note:

- (a) Included in the other payables were amounts due to associates of RMB25,965,000 (31 December 2021: RMB8,926,000), which is repayable on demand.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Derivative financial assets:			
— Interest rate swaps	(a)	4,827	—
Derivative financial liabilities:			
— Interest rate swaps	(a)	—	8,848
— Xtep Convertible Bonds early redemption options	20	60,010	50,158
		60,010	59,006
Less: Non-current portion		(60,010)	(56,269)
Current portion		—	2,737

Note:

- (a) The Group entered into various interest rate swap (“IRS”) contracts with a creditworthy financial institution with an aggregate notional amount of HK\$1,440,000,000 (equivalent to RMB1,223,280,000) for certain of its floating-interest rate loans denominated in Hong Kong dollars to manage its exposure to interest rate fluctuations for the period from 2020 to 2023.

The IRS contracts are not designated for hedging purposes and are measured at fair value through profit or loss. A fair value gain of the IRS contracts amounting to RMB13,603,000 (six months ended 30 June 2021: RMB4,038,000) was credited to the interim condensed consolidated income statement during the period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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19. INTEREST-BEARING BANK BORROWINGS

	Notes	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
		Effective interest rate per annum	Maturity	RMB'000	Effective interest rate per annum	Maturity	RMB'000
Current							
Syndicated loan	(a)	HIBOR+1.52%	2022 to 2023	303,944	HIBOR+1.52%	2022	288,810
Revolving loans	(b)	HIBOR+1.10% to HIBOR+1.35%	2023	620,135	HIBOR+1.10% to HIBOR+1.25%	2022	98,040
Mortgage loan	(c)	4.05%	2022 to 2023	18,600	4.05%	2022	18,230
				942,679			405,080
Non-current							
Syndicated loan	(a)	HIBOR+1.52%	2023	1,069,588	HIBOR+1.52%	2023	1,173,512
Mortgage loan	(c)	4.05%	2023 to 2031	192,177	4.05%	2023 to 2031	201,570
				1,261,765			1,375,082
				2,204,444			1,780,162

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Analysed into:		
Within one year and on demand	942,679	405,080
In the second year	1,088,948	1,192,488
In the third to fifth years, inclusive	30,536	61,714
Beyond five years	142,281	120,880
	2,204,444	1,780,162

Notes:

- (a) The syndicated loan is supported by a corporate guarantee provided by certain of the Company's wholly-owned subsidiaries, to the extent of HK\$1,800,000,000 (equivalent to approximately RMB1,529,100,000) (31 December 2021: HK\$1,800,000,000 (equivalent to approximately RMB1,470,600,000) as at the end of the reporting period.
- (b) The revolving loans are supported by:
- the pledge of certain of the Group's deposits amounting to RMB255,717,000 (31 December 2021: RMB333,347,000) in aggregate; and
 - 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 RMB1,083,113,000 and RMB85,000,000, respectively) (31 December 2021: HK\$1,275,000,000 and RMB85,000,000 (equivalent to approximately RMB1,041,675,000 and RMB85,000,000, respectively)) at the end of the reporting period.
- (c) The mortgage loan was supported by a mortgage over a building and respective leasehold land under right-of-use assets of the Group with an aggregate carrying amount of RMB394,265,000 (31 December 2021: RMB403,303,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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20. XTEP CONVERTIBLE BONDS

The Xtep Convertible Bonds issued during the year ended 31 December 2021 were split into the liability component, equity components and embedded derivative and the respective movements during the period ended 30 June 2022 are as follows:

	Liability component RMB'000	Equity component RMB'000	Embedded derivative RMB'000
At 1 January 2022 (audited)	341,048	26,460	47,169
Interest expense	8,858	–	–
Fair value loss (note 5)	–	–	7,620
Exchange difference	13,843	–	5,221
At 30 June 2022 (unaudited)	363,749	26,460	60,010 (note 18)

21. K-SWISS CONVERTIBLE BONDS

During the year ended 31 December 2021, K-Swiss Convertible Bonds were issued and the movement of the K-Swiss Convertible Bonds during the period ended 30 June 2022 is as follow:

	RMB'000
At 1 January 2022 (audited)	416,499
Fair value gain (note 5)	(20,715)
Exchange difference	15,921
At 30 June 2022 (unaudited)	411,705

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

22. SHARE CAPITAL

At 30 June 2022

	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: 2,634,842,743 ordinary shares of HK\$0.01 each	26,349	23,130

At 31 December 2021

	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: 2,630,318,746 ordinary shares of HK\$0.01 each	26,304	23,092

The following changes in the Company's share capital and share premium took place during the current period:

	Note	Number of shares of HK\$0.01 each	Share capital HK\$'000	Share capital RMB'000	Share premium RMB'000
At 1 January 2021		2,630,318,746	26,304	23,092	1,958,798
Shares issued in lieu of cash dividend	(a)	4,523,997	45	38	40,111
At 30 June 2022 (unaudited)		2,634,842,743	26,349	23,130	1,998,909

Note:

- (a) On 6 May 2022, the shareholders of the Company had approved at the annual general meeting the payment of 2021 final dividend of HK13.5 cents (equivalent to approximately RMB11.0 cents) per ordinary share payable in cash with a scrip dividend alternative. During the six months ended 30 June 2022, 4,523,997 ordinary shares were issued and allotted by the Company at HK\$10.447 each to shareholders of the Company who had elected to receive scrip shares in lieu of cash. The total value of scrip dividend issued amounted to HK\$47,262,000 (equivalent to approximately RMB40,149,000), representing the addition of nominal value of ordinary shares of HK\$45,000 (equivalent to approximately RMB38,000) and share premium of HK\$47,217,000 (equivalent to approximately RMB40,111,000). During the six months ended 30 June 2022, 1,473,838 treasury shares amounting to RMB13,079,000 in form of scrip dividend were received by the Company.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

23. SHARE AWARD SCHEME

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

The Share Award Scheme is valid and effective for a period of 10 years from 1 August 2014 (the “Adoption Date”). 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 out from cash contributed by the Group. The Trustee will hold the Awarded 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.

The Board shall not make any further award of Awarded Shares which will result in the nominal value of the Shares awarded by the Board under the 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 Scheme shall not exceed 1% of the issued share capital of the Company from time to time.

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

The shares granted will be vested in the respective proportions in accordance with the vesting schedule. The Trustee shall cause the Awarded Shares to be transferred to such selected participant on the vesting date. Vested shares will be transferred to the selected participants at no cost save that transaction fees and expenses will be payable by the selected participants as transferees.

On 10 January 2017 and 19 March 2021, the Board resolved to grant 50,000,000 and 75,000,000 Awarded Shares, respectively, to certain selected participants, who are not a director, chief executive or substantial shareholder of the Company, nor an associate (as defined under the Listing Rules) of any of them at nil consideration. The end of the vesting period for 280,000 Awards Shares granted on 10 January 2017 has been extended to 10 January 2023.

Details of each category of Awarded Shares granted on 10 January 2017 and 19 March 2021 under the Share Award Scheme at 30 June 2022 are as follows:

Grant date	Number of Awarded Shares to vest	Vesting period	Fair value at grant date HK\$ per share
10 January 2017	280,000	10 January 2017 to 10 January 2023	3.21
19 March 2021	7,500,000	19 March 2021 to 31 March 2023	3.71
19 March 2021	11,250,000	19 March 2021 to 31 March 2024	3.55
19 March 2021	15,000,000	19 March 2021 to 31 March 2025	3.39
19 March 2021	15,000,000	19 March 2021 to 31 March 2026	3.23
19 March 2021	26,250,000	19 March 2021 to 31 March 2027	3.06

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

23. SHARE AWARD SCHEME (Continued)

Movements in the number of Awarded Shares were as follows:

	Number of Awarded Shares
Outstanding as at 1 January 2021 (audited)	24,950,000
Awarded Shares granted	75,000,000
Awarded Shares vested	(10,160,000)
Outstanding as at 31 December 2021 and 1 January 2022 (audited)	89,790,000
Awarded Shares vested	(14,510,000)
Outstanding as at 30 June 2022 (unaudited)	75,280,000

During the period, share award scheme expense of RMB25,670,000 (six months ended 30 June 2021: RMB21,924,000) was recognised in the interim condensed consolidated income statement.

During the period, an amount of RMB1,802,000 (six months ended 30 June 2021: RMB1,203,000) was transferred from share award reserve to retained profits in respect of vesting of 14,510,000 Awarded Shares.

24. COMMITMENTS

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Contracted for commitments in respect of:		
— construction of new buildings	118,268	120,017
— construction of new manufacturing facilities	2,800	20,708
— advertising and promotional expenses	218,757	253,140
	339,825	393,865

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

25. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in this interim condensed consolidated financial information, the Group had the following material transactions with related parties during the period:
- (i) The Group entered into several lease arrangements with Hu Du Century (Xiamen) Investment Management Co., Ltd., a company established in the PRC and a wholly-owned subsidiary of Wan Xing, the ultimate holding company of the Company. The lease arrangements were accounted for under HKFRS 16 *Leases*.

The associated transactions and balances are disclosed below:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Rental payment	5,671	5,684
Depreciation of right-of-use assets	5,601	5,041
Interest expenses on lease liabilities	607	301

	As at 30 June 2022 (Unaudited)	As at 31 December 2021 (Audited)
	Right-of-use assets	27,001
Lease liabilities	28,259	11,828

- (ii) During the period ended 30 June 2022, purchases amounting to RMB85,028,000 (six months ended 30 June 2021: RMB39,670,000) 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 and other payable balances with the associates are disclosed in notes 13, 16 and 17 to the interim condensed consolidated financial information, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

26. FINANCIAL ASSETS THAT ARE DERECOGNISED IN THEIR ENTIRETY

At 30 June 2022, the Group discounted certain commercial bills receivable with a carrying amount in aggregate of approximately RMB724,000,000 (31 December 2021: RMB939,000,000) to a bank in the PRC (the "Derecognised Bills") for cash. The Derecognised Bills had a remaining maturity from approximately 29 days to 176 days (31 December 2021: 79 days to 203 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"). In the opinion of the directors, 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 2022, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills (six months ended 30 June 2021: Nil). No gains or losses were recognised from the Continuing Involvement, both during the period or cumulatively. The bills receivable of RMB734,000,000 (six months ended 30 June 2021: RMB867,000,000) has been discounted during the period ended 30 June 2022.

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

The fair values of non-current portion of interest-bearing bank borrowings and Xtep Convertible Bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings and Xtep Convertible Bonds as at 30 June 2022 were assessed to be insignificant. The fair values of non-current term deposits and non-current portion of interest-bearing bank borrowings 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.

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

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of bills receivable has 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 value of bills receivable approximates to its carrying amount as at the end of the reporting period. In respect of the interest rate swaps, the Group relies on bank valuations to determine the fair value of the instruments, these valuations maximise the use of observable market data. Key observable inputs in the valuations are floating rates, fixed rates, time to expiration and discount rate. The fair values of Xtep Convertible Bonds early redemption options and K-Swiss convertible Bonds have been estimated using Binomial models of which key observable input 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 values of the unlisted equity investments designated at fair value through other comprehensive income have been estimated using the quoted prices of the latest transactions or a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry and geography, and to calculate an appropriate price multiple, such as price to net book value ("P/B") multiple, for each comparable company identified. The multiple is calculated by dividing the net book value per share of the comparable company by the market price per share. The trading multiple is then discounted for considerations such as marketability between the comparable companies based on company-specific facts and circumstances.

The discounted multiple is applied to the corresponding P/B multiple of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in the interim condensed consolidated statement of comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

Below is a summary of significant unobservable inputs to the valuation of unlisted equity investments, K-Swiss Convertible Bonds and Xtep Convertible Bonds early redemption options together with a quantitative sensitivity analysis as at 30 June 2022:

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 2022: 0.18x to 1.05x (31 December 2021: 0.20x to 1.15x)	5% (31 December 2021: 5%) increase/decrease in multiple would result in increase/decrease in fair value by RMB9.7 million (31 December 2021: RMB10.0 million)
		Discount for lack of marketability	30 June 2022: 20% (31 December 2021: 20%)	2.5% (31 December 2021: 2.5%) increase/decrease in multiple would result in decrease/increase in fair value by RMB6.1 million (31 December 2021: RMB6.3 million)
Xtep Convertible Bonds early redemption options	Binomial model	Discount rate	30 June 2022: 5.8% (31 December 2021: 5.4%)	0.5% (31 December 2021: 0.5%) increase/decrease in multiple would result in increase in fair value by RMB6.3 million (31 December 2021: RMB6.0 million)/ decrease in fair value by RMB6.6 million (31 December 2021: RMB6.1 million)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

Description	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
K-Swiss Convertible Bonds	Binomial model	Weighted average cost of capital	30 June 2022: 13.0% (31 December 2021: 12.3%)	0.5% (31 December 2021: 0.5%) increase/decrease in multiple would result in decrease in fair value by 14.4 million (31 December 2021: RMB17.3 million)/ increase in fair value by 21.3 million (31 December 2021: RMB19.5 million)
		Volatility	30 June 2022: 39.7% (31 December 2021: 38.7%)	0.5% (31 December 2021: 0.5%) increase/decrease in multiple would result in increase in fair value by RMB1.1 million (31 December 2021: RMB0.7 million)/ decrease in fair value by RMB0.7 million (31 December 2021: RMB0.7 million)
		Discount rate	30 June 2022: 12.1% (31 December 2021: 9.9%)	0.5% (31 December 2021: 0.5%) increase/decrease in multiple would result in decrease in fair value by RMB4.7 million (31 December 2021: RMB6.7 million)/ increase in fair value by RMB5.1 million (31 December 2021: RMB 8.5 million)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

Fair value hierarchy

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

Assets measured at fair value:

As at 30 June 2022

	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)	
Equity investments designated at fair value through other comprehensive income	–	–	214,265	214,265
Bills receivable	–	454,988	–	454,988
Derivative financial instruments	–	4,827	–	4,827
	–	459,815	214,265	674,080

As at 31 December 2021

	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)	
Equity investments designated at fair value through other comprehensive income	–	–	220,965	220,965
Bills receivable	–	391,000	–	391,000
	–	391,000	220,965	611,965

30 June 2022

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

Liabilities measured at fair value:

As at 30 June 2022

	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	–	–	60,010	60,010
K-Swiss Convertible Bonds	–	–	411,705	411,705
	–	–	471,715	471,715

As at 31 December 2021

	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	–	8,848	50,158	59,006
K-Swiss Convertible Bonds	–	–	416,499	416,499
	–	8,848	466,657	475,505

During the period ended 30 June 2022, 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 2021: Nil).

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 23 August 2022.

INFORMATION FOR INVESTORS

Information for Investors

Share information

Company name: Xtep International Holdings Limited	Basic earnings per share for the six months ended
Listing: Hong Kong Stock Exchange	30 June 2022:
Stock code: 1368	RMB23.47 cents
Listing date: 3 June 2008	Interim dividends per share:
Board lot size: 500 shares	HK13.0 cents with a scrip dividend option
Number of issued shares as at 30 June 2022:	
2,634,842,743	
Market capitalization as at 30 June 2022:	
HK\$37,414,766,951	
Index constituent:	
<ul style="list-style-type: none"> • Hang Seng Composite Index • Hang Seng Composite MidCap Index • Hang Seng Stock Connect Hong Kong Index • MSCI China Index 	

Key dates for investors

23 August 2022	2022 interim results announcement
6 September 2022 to 8 September 2022	Closure of the register of shareholders (both days inclusive)
31 October 2022	Payment of interim dividends

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GLOSSARY

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

“App”	A software program for download onto mobile devices
“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
“GDP”	Gross domestic product
“Group”	The Company and its subsidiaries
“Group Success”	Group Success Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 23 February 2007, and is wholly owned by Wan Xing International Holdings Limited, which is in turn ultimately owned as to 67% by Mr. Ding Shui Po’s family trust, 21% by Ms. Ding Mei Qing’s family trust and 12% by Mr. Ding Ming Zhong’s family trust
“HK\$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” and “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Joyrun”	A leading Chinese App for runners
“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 of the Listing Rules
“Period”	The six months ended 30 June 2022
“POS”	Points of sale
“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

GLOSSARY

“Share(s)”	Ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	The share option scheme adopted by the Company on 7 May 2008, the principal terms of which are summarized under the paragraph headed “Share Option Scheme” in Appendix VI to the prospectus of the Company dated 21 May 2008
“Shareholder(s)”	Shareholder(s) of the Company
“U.S.”	United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Xtep”	Xtep brand
“Xtep Kids”	The children’s sportswear business of the Group

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